Austria	Sch34	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.780	Iran	Rls210	Philippines	Peo40
Belgium	BFr65	Israel	Shk3.50	Poland	Zl 9,000
Cyprus	C£0.90	Italy	L2800	Portugal	Es165
Denmark	DKr12.00	Jordan	Fils1000	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM8.50	Lebanon	L£400.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr150	Morocco	MDh8.00	Switz	SFr2.50
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	Bht60
Hungary	Ft107	Nigeria	Naira10	Tunisia	Din0.800
Iceland	IKr160	Norway	NKr12.50	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,210

Friday July 27 1990

D 8523A

EAST GERMANY

On your marks, get set, wait

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World News

Mandela and de Klerk to meet over ANC arrest

Nelson Mandela, deputy president of the African National Congress was last night due to meet F.W. de Klerk, the South African President, to discuss the arrest of a prominent ANC member in connection with an alleged plot to overthrow the Pretoria Government. Page 20

Armenians warn

Armenian nationalists warned President Mikhail Gorbachev of a possible bloodbath if he sent troops to disarm unofficial militias. Page 2

Koreans sign accord

North and South Korea signed an agreement for an unprecedented exchange of visits by the two countries' prime ministers. Page 3

Waldheim meeting

Austrian President Kurt Waldheim greeted his West German and Czechoslovak counterparts, the first European heads of state to meet him since an international controversy over his wartime past.

Minister arrested

Former East German Communist security chief Erich Mielke was arrested on Thursday on suspicion of sheltering fugitive West German guerrillas and planning internment camps for dissidents, authorities said.

Kaifu call on China

Japanese Prime Minister Toshiki Kaifu urged industrialised nations to restore relations with China more than one year after Peking's bloody crackdown on a student-led pro-democracy movement.

Tamil massacre

Tamil separatist guerrillas fighting Sri Lankan security forces attacked a village and massacred 21 people of the majority Sinhalese community, military sources said.

Hong Kong rush

Harassed immigration officials processed 18,000 applications for Hong Kong citizenship on Wednesday as thousands rushed to beat the deadline to qualify for full British passports, a senior official said.

Niger democracy

West African state Niger has announced plans to amend its constitution to introduce multi-party democracy.

French airline strike

French domestic airline Air Inter took its staff to court in an attempt to prevent a weekend strike that would cause chaos for some 90,000 holiday travellers.

Politician attacked

An Italian senator was taken to hospital with an eye injury after Communist and neo-fascist members exchanged punches and slaps in parliament, *Senate officials said.*

KGB ferry operators

Polish Interior Minister Krzysz*tof Kozlowski* says Soviet KGB security police still operate in Poland but on a new basis such as helping to ferry Soviet Jews to Israel via Warsaw.

Mafia win elections

Over 200 people linked to the southern Italian Mafia were elected to serve on regional and city councils last May, according to an official report.

Holiday in Japan

Japan's Health Ministry has suggested that the nation's workers take more holidays.

Business Summary

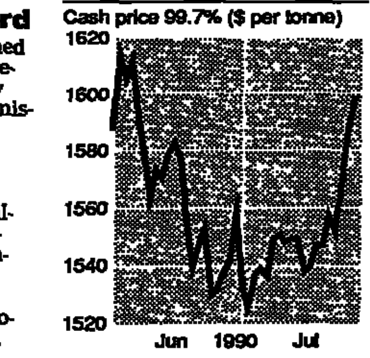
Iraqi attempt to raise oil price faces Opec defeat

IRAQ was facing defeat in its call to lift oil prices to $25 a barrel at the Opec meeting in Geneva, although it appeared certain to win a modest increase in the cartel's benchmark price. Page 20

GENERAL MOTORS and Ford, two largest American automobile manufacturers, have been hit by fierce price competition in the US car market and difficulties abroad. Page 21

ALUMINIUM prices closed ahead for the third consecutive day on the London Metal

Aluminium



Exchange leaving cash metal $46.5 ahead of Monday's close. Page 30

MARKETS: In Paris the CAC 40 index lost 14.21 to close at 1,984.37. In Frankfurt The DAX *index added 12.64 to 1,932.89.* In Tokyo the Nikkei average closed 331.52 down at 31,369.75. Back page, Section II

BLACK & DECKER, US power tools and hardware group, has reported sharply improved results reflecting wider operating margins and its acquisition last year of Emhart, maker of plumbing fixtures and industrial products. Page 24

NORSK HYDRO, Norway's largest publicly quoted company, announced second quarter net profits nearly halved and said it was to close a 40-year old granulation plant at its Immingham compound fer*tiliser facility in north-east* England. Page 22

BRAZIL'S Central Bank is intervening heavily in the domestic gold market in an attempt to manage the dollar-cruzeiro exchange rate and so bolster the Government's economic stabilisation programme. Page 4

NISSAN Motor of Japan is to strengthen links in Thailand by paying some Y9bn ($61.2m) for 25 per cent stakes in two *vehicle manufacturing companies* related to Siam Motors. Page 22

COMPAQ Computer, US personal computer manufacturer, reported a strong second quarter with earnings meeting expectations. The company said that 53 per cent of its second quarter revenues came from outside North America, mostly from Europe. Page 24

SULZER, Swiss engineering group prevented from linking up with MAN of West Germany by objections from Germany's Federal Cartel Office, announced a new European grouping in the marine diesel sector. Page 21

JAPANESE bank officials made gloomy comments about the Japanese inflation outlook and sent bond prices lower *in anticipation of higher interest rates.* Page 3

TAIWAN'S trade with China reached $373.7m in May, a 22 per cent increase on the same month last year, said Taiwan's Board of Foreign Trade. Page 4

UK money supply's rate of increase slowed in July to 5.5 per cent. Page 7

ASAHI Glass, leading Japanese flat glass maker, edged ahead 2.3 per cent in the first half *to Y21.8bn ($146.9m) on sales* up 11.6 per cent to Y487.7bn. Page 22

Soviet economists pessimistic at Gorbachev reforms

By John Lloyd in London

SENIOR SOVIET economists believe the economic reform promised by President Mikhail Gorbachev for the autumn will be compromised, unpopular *and largely irrelevant in face* of the chaotic pace of decentralisation.

Several Soviet economists and political scientists, attending the World Congress of Soviet and East European Studies in England this week, were pessimistic, even apocalyptic in their prognoses for the immediate future – views shared, if more moderately, by western Sovietologists.

Dr Valery Makarov, director of the influential Central Mathematical Institute (from which Mr Gorbachev's leading economic reformers and advisers, Mr Stanislav Shatalin and Mr *Nikolai Petrakov, were drawn)* said: "I doubt the possibility of a radical programme being drawn up. The influence of the central government is now very low."

He stressed that power was rapidly slipping away from the centre, especially to the Russian republic, whose president is Mr Boris Yeltsin. "There are now three centres of power – the centre itself, the republics and the cities, like Leningrad. These are now really independent. The Russian programme is more radical: they envisage private property in all spheres; they will *allow the buying and selling of* land."

The central programme would again be "a compromise between various interests. It is not a logical way to do it."

He warned, however, that there would be a backlash from the Russians against a radical, pro-market programme. "The Russians are very conservative people in many places. I am from Siberia, and I know how conservative they are, how the first secretaries (of the Communist Party) are little Tsars still."

Dr Victor Polterovich, a senior member of the same *institute, and reputed to be one* of the few highly competent technical economists in the Soviet Union, said that "the fight between the central power and the republics now begins. I think we will go to separate markets, even separate currencies, with different economic rules. Then maybe an economic confederation can be constructed."

He believed that Mr Nikolai Ryzhkov, the Soviet Prime Minister, whose previous two reform packages were overturned and harshly criticised by Mr Gorbachev among others, will go "in a few months."

Professor Victor Volkonsky, of the Academy of Sciences, said "the main struggle will be between Russia and Gorbachev", and forecast that Mr Gorbachev could become "like General Jaruzelski", the Polish President and now a largely symbolic figure.

Dr Polterovich pointed out that Lithuania "now makes contracts with other republics for supplies on the basis of free prices. Other republics will do the same, including *the [main* oil district] Tyumen region."

He and Professor Volkonsky are working on novel ideas for dealing with the monetary crisis – the first proposing a system of vouchers for those falling below a certain income, and the second a new currency for everyone, but which would only be exchangeable for imported goods, or Soviet goods of particularly high quality. The poor could exchange this for ordinary roubles, while the rich could use it to buy luxury items.

Moscow request for Italian credit, Page 2

ICI announces profits fall and sale of division to Finland

By Peter Marsh and Diane Summers in London

IMPERIAL Chemical Industries, one of the world's top four chemicals groups, yesterday surprised the City of London by announcing a 21 per cent decrease in pre-tax profits for the first six months of 1990, a far bigger fall than had been expected.

The fall in profits was from £925m ($1.68bn) for the first half of 1989 to £733m for the same period this year. It coincided with the announcement of the sale for about £75m of ICI's loss-making UK fertiliser operations to Kemira of Finland.

The sale will involve the loss of 640 jobs at ICI's fertiliser plants at Billingham on Teesside.

It will also mean the effective withdrawal of the company from western Europe's £7bn a year fertiliser industry, a field in which the company has been a major participant since the 1920s.

The business has been deeply troubled for the past decade as a result of over-capacity, poor demand from farmers and cheap imports which have depressed prices.

ICI, the seventh biggest company in the west European fertiliser sector, has suffered losses on its fertiliser operations for the past four years.

The poor figures from ICI underline the problems facing many other large international chemicals makers as a result of weak demand for many kinds of chemicals, particularly in the UK and US.

ICI's results cast a shadow over the London stock market. The company's shares dropped in value by 6 per cent over the day, closing at 1040p, down 65p.

Sir Denys Henderson, ICI chairman, was unwilling to comment on prospects for the rest of 1990 but indicated the company faced a tough few months.

"We are going to pull in a few notches," he said, stressing the need for productivity improvements across the company.

The fall in profits by ICI was especially marked for many of the company's bulk chemicals operations, which have been hard hit by falling prices and signs of over-capacity in many developed countries.

ICI's petrochemicals and plastics division recorded a trading profit for the first half of £88m, compared with £234m for the equivalent period in 1989.

Profits in this part of ICI's activities for the first half of last year had been inflated by the boom then taking place in the world chemicals industry.

The divestment of ICI's UK fertiliser activities, which have annual revenues of about £400m, leaves the company with roughly £600m a year of fertiliser sales outside Europe. These come from plants and marketing operations in Australia, Canada, Malaysia and India.

Under the agreement with the state-owned Kemira, the Finnish company will strengthen its position as western Europe's second biggest fertiliser producer.

The company in recent years has shrugged off the problems affecting many other large European groups in this industry and has expanded production, mainly by acquisition. Kemira operates fertiliser plants in the UK, Finland, Denmark, France, Belgium and Holland.

As a result of the ICI deal, Kemira will take over ICI's relatively modern fertiliser plants at Severnside, near Bristol, and Leith, near Edinburgh. Some 540 ICI employees will be transferred to Kemira.

Lex, Page 20

Gatt's Dunkel urges faster pace for trade talks

By William Dullforce and Peter Montagnon in Geneva

COUNTRIES involved in the wide-ranging Uruguay Round of international trade talks were warned yesterday that urgent progress was needed to avert a collapse in the negotiations by the end of the year.

Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt), called for a "radically changed and more urgent approach" to the four-year programme which has just 15 working weeks left to run.

Arthur Dunkel: wants a "changed" approach

He demanded an accelerated work programme for negotiators in the talks, which, he admitted, were deadlocked in several crucial areas.

Under his timetable, senior international trade officials must be in Geneva from October 8 "with full power to negotiate and conclude agreements" until final accords are reached.

Mr Dunkel blamed some governments – which he did not name – for not instructing officials in Geneva, where the main talks have been taking place. He also accused negotiators of playing hide-and-seek with one another and failing to talk openly.

His warning came after reports this week to the trade negotiations committee, the Uruguay Round's governing body, from the chairmen of the 15 negotiating groups showed that the talks were flagging or blocked in areas such as textiles and clothing, services, intellectual property rights and anti-dumping measures.

Mr Dunkel accused negotiators of using the so-called linkages between the subjects under discussion as an excuse for not revealing their hands.

Countries establish linkages when they say they will make concessions in one area, provided they can obtain benefits in others.

The European Community, for instance, links liberalisation of trade in textiles to improved anti-dumping measures.

Pinpointing problems on which political decisions are urgently required, Mr Dunkel implicitly called on the US to ease its opposition to greater liberalisation of trade in textiles and to abandon its wish to exclude shipping and civil aviation from an agreement on services.

The EC was implicitly criticised over its demand that governments should be able to apply selective restrictions against sudden surges of

Continued on Page 20

Details, Page 4; Editorial comment, Page 18

GEC of UK may bid for PowerGen

By David Thomas, Resources Editor, in London

GENERAL Electric Company, one of Britain's biggest manufacturing groups, is among several large companies which have approached the UK Government about bidding for PowerGen, the electricity generator which is being prepared for privatisation.

GEC expressed an interest to the Government this week, following the disclosure that Hanson, the industrial conglomerate, has also been talking to the Government about buying PowerGen.

Separately, Sir Trevor Holdsworth, chairman of National Power, the larger of the two generators which are being privatised, yesterday tried to dispel speculation that National Power could not be floated if PowerGen were sold to a single buyer. The original plan was for both generating companies to be floated in February.

National Power "will be floated as one entity in February," Sir Trevor said.

He was speaking as National Power confirmed plans to shed 5,000 of its 16,300 workforce over the next five years. It plans to close 3,000 megawatts of power stations – a tenth of its total capacity – over the same period.

The Department of Energy has had many inquiries about the sale of PowerGen since Mr John Wakeham, Energy Secretary, told parliament about the Hanson talks on Monday.

It regards many of these inquires as lacking substance, but it believes that at least three, including that from GEC, are from companies which could be serious bidders for PowerGen.

GEC has a strong interest in the outcome of electricity privatisation because GEC Alsthom, a joint venture with Compagnie Générale d'Electricité of France, is a leading European supplier of equipment to power stations.

GEC refused to comment last night. However, one reason for its approach may be to find out more about the Government's plans.

The Government now expects Hanson to make a firm

Warning on takeovers, Page 20

Continued on Page 20

Japanese brokers deny claims that they compensated clients

By Stefan Wagstyl in Tokyo

THE TOKYO stock market was hit yesterday by the disclosure of allegations that Japanese securities companies compensated favoured clients for losses suffered in the October 1987 crash.

The claims made by the Tokyo Tax Administration Bureau helped to push the Nikkei index of leading stocks down by 331.52 points to 31,369.75, the fifth day's decline in a row.

According to tax officials, *more than 10 companies compensated* clients to the tune of Y16bn ($109m) by selling them securities at below market prices and then buying them back *at the full price.* Officials told Japanese journalists that the alleged offenders include Daiwa Securities and Yamaichi Securities, two of the largest companies.

Daiwa and Yamaichi both denied they had compensated clients for their losses. They said the tax investigations carried out on their accounts for the period covering the crash were routine. "We cannot understand why our name has been published," said Daiwa.

However, officials alleged that Yamaichi had compensated clients for about Y8bn and Daiwa for a few hundred million yen. The tax bureau said the securities companies had described the losses suffered on the artificial deals as "trading losses." They should properly be considered as donations or entertainment expenses and should therefore not have been deducted from pre-tax profits. Officials are *seeking a total of Y7bn in* unpaid taxes.

Foreign brokers in Tokyo said it was often suspected that Japanese companies compensated favoured clients for losses. But evidence of alleged wrongdoing rarely comes to light. Daiwa admitted last year that it had covered Y10.3bn in trading losses suffered by 20 or 30 clients in 1975-80. However, the company denied promising customers in advance that it would cover losses – such guarantees are banned under the country's Securities and Exchange Law.

Japanese commentators criticised the securities companies' behaviour. In an editorial column the Nihon Keizai Shimbun, the leading business daily, said the incident would increase ordinary customers' distrust of securities companies. There would be calls for the authorities to speed the reform of stock market regulations, said the newspaper.

Private investors interviewed on television complained that when they lost money they never received any *compensation.*

● Gloomy comments about the inflation outlook by Bank of Japan officials yesterday sent bond prices lower in anticipation of higher interest rates.

Stock and bond markets in Tokyo have behaved nervously in recent weeks because of fears that the central bank was about to tighten monetary policy. The BoJ has become concerned about the rise in the cost of services recently arising from the acute labour shortage in Japan.

Tokyo markets nervous, Page 3. Market reports, Second Section

CONTENTS

Workers to pay for decades misspent in their name

East Europe's workers are worried about their future. Even in Poland, Solidarity is split between those led by Lech Walesa (left) and intellectuals symbolised by Prime Minister Tadeusz Mazowiecki.
Page 2

MARKETS

STERLING
New York lunchtime:
$1.811
London:
$1.8135 *(same)*
DM2.9425 (2.9325)
FFr9.8575 (9.8325)
SFr2.4975 (2.4875)
Y272.75 (270.0)
£ index 93.1 (92.9)

GOLD
New York: Comex Aug
$369.4
London:
$368.5(372.5)

N SEA OIL (Argus)
Brent 15-day Sep
$19.35 (19.4)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.6262
FFr5.4475
SFr1.38
Y150.77
London:
DM1.6225 (1.617)
FFr5.435 (5.4225)
SFr1.377 (1.3715)
Y150.45 (148.85)
$ Index 65.4 (65.2)
Tokyo close: Y150.11

US lunchtime rates
Fed Funds 8%
3-mo Treasury Bills:
yield: 7.83%
Long Bond:
$102\frac{1}{4}$
yield: 8.53%

STOCK INDICES
FT-SE 100:
2,344.1 (-20.6)
FT Ordinary:
1,851.5 (-14.2)
FT-A All-Share:
1,154.8 (-0.7%)
New York lunchtime:
DJ Ind. Av.
2,927.48 (-3.46)
S&P Comp
356.97 (-0.12)
Tokyo: Nikkei
31,369.75 (-331.52)

LONDON MONEY
3-month Interbank:
closing $14\frac{11}{32}$% ($14\frac{11}{32}$)
Liffe long gilt future:
Sep $84\frac{?}{32}$ ($84\frac{1}{16}$)

Political fragmentation in prospective united Germany could follow deal

Bonn compromise signals end to poll row

By **David Marsh** in Bonn and **Leslie Colitt** in Berlin

BONN'S three-party governing coalition agreed yesterday that the forthcoming election for an all-German parliament should be carried out with the same voting system in both East and West Germany.

The compromise on the system for the December 2 general election could, however, lead to political fragmentation in the prospective united German parliament.

Following a week of argument over alleged gerrymandering by Chancellor Helmut Kohl's Christian Democrats, yesterday's agreement ended a coalition split which was threatening to damage Mr Kohl's much-improved political position.

In East Germany, representatives of the rebellious Social Democrats (SPD) and Liberals indicated relief that a compromise appeared likely to end their dispute with Mr Lothar de Maizière, the East German Prime Minister.

Mr Horst Korbella, deputy chairman of the (East) CDU said Mr de Maizière would offer the SPD "solutions" even before this morning's scheduled meeting with the coalition partner.

Mr Wolfgang Thierse, the (East) SPD chairman, called for a binding public statement by the Prime Minister on unified elections as well as a lower election barrier. "I trust we can end this discussion on the question of all-German elections by tomorrow," he said.

The Liberal Chairman, Mr Rainer Ortleb, who pulled his party out of the coalition on Tuesday, said he was prepared to rejoin if the Prime Minister had decided to stop "blocking the path" toward all-German elections.

The Liberal departure from the coalition Government had brought home to Mr de Maizière that the proponents of an "election on equal terms" could not be outmanoeuvered, he said.

As a condition of the compromise, however, the Bonn parties are to study a change in the West German election system under which only parties polling more than 5 per cent of the votes can win a place in parliament.

This system has governed general elections for most of the Federal Republic's 41-year-old history, and has prevented the political fragmentation which plagued the Weimar Republic by limiting Bundestag representation mainly to the larger and established parties.

As a means of ensuring that smaller East German parties gain places in the all-German parliament, one variant being considered is that any party crossing the 5 per cent barrier in one German Land (state) should be eligible for a seat.

This would meet the Christian Democrats' wishes that the small conservative German Social Union (DSU) party from East Germany should not be extinguished after the end-year all-German poll.

Despite the compromise, the political temperature climbed in Bonn yesterday after Mr Oskar Lafontaine, the Social Democrats' candidate at the December elections, accused the Government of bringing about an economic crisis in East Germany. Mr Lafontaine, in an interview with the daily Süddeutsche Zeitung, claimed that German unification would cost German taxpayers an DM100bn a year

Rebuilding the E German economy, Page 14

Armenian nationalist group warns of bloodbath

By **Leyla Boulton** in Moscow

ARMENIAN nationalists warned President Mikhail Gorbachev yesterday of a possible bloodbath if he sent troops to Armenia to disarm unofficial militias. The Armenian parliament, meanwhile, set up a commission to draft a response to Wednesday's presidential decree which ordered militants to hand over their weapons within 15 days.

Although the decree applies to the entire country, it was clearly aimed mainly at Armenia, where nationalist militants have launched a series of attacks on Soviet troops. Mr Gorbachev threatened to use troops to disband armed groups if necessary.

"If Mr Gorbachev carries out his threat, there could be a bloodbath," said Mr Alexander Arzumanian, a spokesman for the pro-independence Armenian National Movement. "Popular feeling against the Red Army is very bad and this decree violates Armenian sovereignty," he said in a telephone interview.

The problem, which, he said, was a symptom rather than a cause of tension in the republic, could only be dealt with by the Armenian parliament, which was a defence council to deal with security problems.

Mr Gorbachev issued the decree after repeated requests that the Armenian government itself take action against militants, whose numbers are estimated at tens of thousands by the official Soviet media. Senior Soviet army officers in Armenia have, in turn, appealed for permission to take tough action, accusing the republic's government of conniving with the militias.

In late May, more than 30 people were killed in clashes between Soviet troops and Armenians. The militias have been fighting Azerbaijanis along the border between the two republics as well as in the Armenian-populated enclave of Nagorno-Karabakh in Azerbaijan itself. Recently, they have also turned against Soviet troops sent in to quell ethnic strife.

Soviet Kurds press case for homeland

By **Edward Mortimer** in Moscow

SOME peoples have all the luck.

The Kurds, as is by now well known, live in a part of the Middle East which they call Kurdistan, but which is divided between Iran, Iraq, Syria and Turkey. What is less well known is that the northern tip of their homeland is in the Soviet Union. And where precisely in the Soviet Union? On the borders of Armenia and Azerbaijan.

Twenty thousand Moslem Kurds were expelled from Soviet Armenia in 1988-89 along with the 180,000 Azerbaijani minority. But in Turkish-speaking Azerbaijan itself the authorities refuse to admit the existence of a Kurdish minority, or to allow the Kurds their own newspapers and schools.

In 1923 there were 60,000 Soviet Kurds, and Lenin awarded them their own autonomous region within Azerbaijan. It occupied the strip of land which separates Armenia from Nagorno-Karabakh, the mountainous, mainly Armenian-populated enclave which has brought Armenians and Azerbaijanis to the brink of civil war.

But in 1937 Stalin decided the Kurds were too "unreliable" to be left in a sensitive border region, close to their relatives in Iran and Turkey. He had many of them deported to Kazakhstan.

Now, like other groups which were similarly treated, they are demanding to be allowed to return to their ancient homeland and to have their autonomy restored.

In the last two days some 500 Kurds have assembled to press this demand, coming from all parts of the Soviet Union, in the unlikely setting of the Institute of Marxism-Leninism, a large and leafy campus on the outskirts of Moscow, under the direct authority of the central committee of the Soviet Communist party.

The meeting was also attended by Kurdish leaders from Iran, Iraq and Turkey – people who in the past would have been most unlikely to be given Soviet visas, for fear of jeopardising good relations between Moscow and the governments of those countries.

A keynote speaker was Academician Kerim Nadirov, a distinguished petrochemical scientist from Alma Ata, capital of Kazakhstan. He explained afterwards how his whole family had been deported there when he was five years old. "My mother had nine children: the eldest was 22, the youngest two. A KGB agent came at night and asked who was the head of the family. My eldest brother said, 'I am', and they said 'Go with us'. We never saw him again – and there were many victims like that. In my speech today I said we must remember all of them, and the whole audience stood up."

In 1944, after the German invasion of the Caucasus, there were further deportations of Kurds, this time from Georgia. Kurds called up for war service returned from the front to find their villages deserted, and the only address they were given for their families was "central Asia and Kazakhstan": vast and distant territories of which they knew nothing.

The 1989 census revealed a Kurdish population of 153,000 throughout the Soviet Union, but Mr Nadirov claims the true figure is more than 500,000, since many Kurds have been classified under other nationalities. He is sure, however, that many would "change their passports" if autonomy were granted.

He admits that many can no longer speak their language, and even fewer read and write it. One Kurdish grievance, indeed, is that Soviet Kurds are cut off from their own culture by the Cyrillic script, since Kurds elsewhere use the Arabic or Latin alphabets.

Privatisation chief sacked in Hungary

THE HUNGARIAN Government has replaced the managing director of its State Property Agency (SPA), responsible for the privatisation of state-owned companies, according to the state news agency, Reuter reports from Budapest.

Mr Istvan Tompe came under fire recently for his method of privatizing Hungary's largest travel agency, Ibusz. Critics, including the Government's economic adviser, Mr Istvan Bethlen, said Mr Tompe was wrong to permit the listing of Ibusz shares on the Vienna stock exchange as it would not attract foreign investors into the country. Ibusz was the first Hungarian company to have its stocks listed abroad.

Mr Tompe's successor Mr Lajos Csepi, former vice-president of the now defunct Hungarian Prices Office, will take over next month.

Bulgaria aims to set up stock market

Nikko Securities, one of the Big Four Japanese brokerage houses, said yesterday it had been appointed by the Bulgarian Government as a consultant to help the country establish a stock exchange, writes Andrew Freeman.

East German secret police chief arrested

East Germany yesterday arrested the former secret police chief, but said the deposed Communist party leader, Mr Erich Honecker, was too sick to prosecute, AP reports from East Berlin.

The authorities detained 82-year-old Mr Erich Mielke, pending investigation of charges that he abused his power, jailed people for criticizing the old regime, and turned East Germany into a safe haven for terrorists.

US begins to withdraw its chemical weapons

THE US BEGAN removing its chemical weapons from West Germany yesterday, after protests and court action by environmentalists who say the cross-country transport operation is hazardous, Reuter reports.

Guarded by American soldiers and West German police, the first of 30 daily truck convoys left a US depot at Clausen in southwest Germany. Their 400-mile road and rail route to the North Sea port of Nordenham runs through some of the most densely-populated parts of the country.

About 100,000 shells containing nerve gases, packed in steel containers, are to be shipped to the Johnston Atoll in the Pacific to be destroyed.

Yesterday's convoy of 80 vehicles – 20 carrying the shells and the rest troops, medical staff and firefighters – drove 30 miles to a rail depot along a road closed to normal traffic.

On Wednesday a court in Münster rejected the last legal attempt by people living along transport routes to block the operation on safety grounds.

Mr Rudi Geil, Interior Minister of the state of Rhineland-Palatinate in which the Clausen depot is located, said: "It can only be in the interests of the peace movement . . . that these chemical weapons are taken away as quickly and successfully as possible.

Picture clears in Italian TV drama

By **John Wyles** in Rome

ITALY'S ATTEMPT to adopt its first comprehensive legislation to regulate public and private television services should move towards a conclusion today.

This follows an extraordinary fortnight in which attempts to cut Mr Silvio Berlusconi's empire down to size threatened the future of Mr Giulio Andreotti's Government.

It was still unclear last night whether the Government would have to call for votes of confidence today in the lower house, the Camera, on some of the legislation's key articles.

Its majority is threatened by possible defections to the opposition of members of the Christian Democrat (DC) left.

They have made the bill a crusade against the Berlusconi private television empire, partly in order to strike at his closest ally, Mr Bettino Craxi and his Socialist Party.

The Socialists' defence of Mr Berlusconi interests against the DC left has this week forced Prime Minister Andreotti into an intricate exercise in political mediation of which he is Italy's past master.

The result is a law which will give Mr Berlusconi's three networks their long desired right to broadcast live events, including sport and news programmes, but at the expense of his ownership of the Milan daily, Il Giornale, and of other restrictions which may ultimately hit his revenues.

Foremost among these are radical curbs on advertising spots during the transmission of films first made for the cinema – leaving just three interruptions for films of between 90 and 110 minutes, and four if they last longer.

For Mr Berlusconi this is an improvement on the total advertising ban during films imposed by the Senate earlier this year which he estimated could cost him $300m (£165m) a year.

The question as to when this restriction should come into force was still in contention last night, with the Christian Democrat left pushing for an October 1991 introduction against the Government's proposal of January 1, 1993 – ostensibly to allow both Mr Berlusconi and the Rai state network to broadcast films in stock acquired on the assumption of no restrictions.

The same date will also apply for introducing a limit on advertising of 18 per cent an hour.

Other restrictions in the legislation will prevent Mr Berlusconi's advertising subsidiary Publitalia from selling advertising space, said to be worth L100bn a year in revenues, for three smaller private stations in addition to his own networks.

A further blow against the private system was struck in the Camera on Wednesday evening when deputies passed an amendment forbidding advertising during animated cartoon programmes aimed at an under-14 audience.

Press reactions to the shape of legislation now emerging under the imperatives of political compromise ranged from a suggestion that the bill was worthy of a "banana republic" (La Repubblica) to the judgment that it was a plain and simple "mess" (Corriere della Sera).

Italy may extend $1bn credit line to Soviet Union

By **Leyla Boulton** in Moscow

MR Giulio Andreotti, the Italian Prime Minister, said yesterday his government would consider a Soviet request for credit which, according to Italian bankers, could result in a $1bn loan.

"From the Soviet side, there has been a request for credit, also for the delayed payments, which we shall bring to the consideration of the Council of Ministers," Mr Andreotti told a news conference after talks with President Mikhail Gorbachev.

Italian bankers said that Mediocredito Centrale, the state bank for export credits, could grant Moscow a new credit line of up to $1bn.

Mr Andreotti said a bilateral commission of experts would meet in August to draw up a report for a meeting of the Italian and Soviet foreign ministers on September 10.

The banking sources said negotiations for a new credit line would begin in September.

Much of the money would presumably be spent on clearing up delayed payments to Italian companies.

Mr Gorbachev told the news conference that the Soviet Union wanted "understanding ... and sympathy for our great cause of perestroika.

"We are not looking for charity," he said. "That would offend our people ... We are not the kind of country that would not be able to bear a (debt) of $20bn or $40bn. There are smaller countries than us that owe $20bn-$30bn."

The Soviet Union says it plans to keep its foreign debt below Rbs34bn, the last figure published by the government.

Mr Andreotti, whose country currently holds the rotating presidency of the European Community, also discussed EC economic aid for the Soviet Union.

He said an EC report on this would be ready by October.

Electricty utilities reject Brussels' plan

By **Lucy Kellaway** in Brussels

LEADING European electricity utilities have told the European Commission they are strongly opposed to a future "common carrier" system for electricity.

The system would give third parties full access to power grids now under the control of the big utilities.

Mr Alessandro Ortis, head of the electricity supply industry body, told Mr Antonio Cardoso e Cunha, the energy commissioner, that common carrier would favour few users and damage most.

Instead he called for a complete harmonisation of member states' energy and environmental policies, which he said would reduce the differences in energy prices.

The Commission sees common carrier as a means of opening up a protected monopoly to competition. It does not favour trying to harmonise energy policy in different member states.

Successful rocket launch will improve phone links

By **David Goodhart** in Bonn

THE successful launch earlier this week of Ariane 44-L, the Franco-German rocket, is set to make substantial improvement in telephone links between the two Germanys. The rocket carried the West German Bundespost's Copernicus 2 satellite and the French satellite TDF 2.

Fifteen of the 32 receivers on the Bundespost satellite will be dedicated to East Germany and should provide thousands more lines. Currently there are only 1,494 from West to East and 1,182 from East to West.

Mr Christian Schwarz-Schilling, West German Posts Minister, has described the communications problem as so serious that he is considering lifting temporarily the public monopoly on basic telephone communications.

Relatively normal telephone links are now expected by the end of 1991, according to Siemens, the West German company most directly involved in building up the network.

Many West German businessmen have been using mobile phones over the last few months but their networks have also become over-burdened. The Bundespost is planning to extend its own new mobile phone network, due for completion at the end of 1991, to cover East Germany. So too is the private sector rival led by Mannesmann.

Strong investment growth abroad set to continue

By **David Goodhart**

WEST German foreign investment will continue growing strongly over the next two years, especially in Europe and the EC, although only one-third of investors wish to establish or expand productive capacity, according to a survey of more than 1,000 businesses by the German Association of Chambers of Commerce.

Some 56 per cent of businesses planned to expand abroad over the next two years with most concentrating on the EC, in particular France, Spain and Britain.

More than half also want to invest in eastern Europe over the next five years with East Germany the most popular site followed by Hungary, the Soviet Union, Poland and Czechoslovakia.

A reduction in investment is planned in the Near and Far East, South America (Brazil was once popular with German investors), and in Denmark and Norway where high labour costs and corporate tax are a disincentive.

The survey showed that most investment takes the form of marketing and customer service enterprises to improve the flow of goods still produced within Germany.

Direct investment abroad is not expected to reach the record level of DM20bn reached in 1989. Over the next two years the level is expected to average DM12bn. Between 1980 and 1989 the value of direct investment rose from DM100bn to DM184bn and the number of companies investing rose from 1,373 to 6,400.

Workers to pay the price for decades misspent in their name

FT correspondents foresee an uncertain future for unions and solidarity in an eastern Europe on the road to market

AS eastern Europe's newly-elected governments edge towards the market economy, workers in those countries are becoming uncertain about their future.

Under the old communist regimes, employment was guaranteed, but in reality their centralised systems created an economy of shortages and encouraged underemployment, and enterprises were often forced to stand idle.

Since workers were regarded as the ideological bulwark of communism, they were granted certain privileges, such as holiday homes and wages which were higher than those of teachers, doctors or other professionals. .

But trade unions, dominated by communists, were tame. Strikes were banned, strike leaders imprisoned, trade unions mere communication channels for the ruling élite.

Thus east European workers, except in Poland, remained conservative and passive, features which carried over into the revolutions which toppled the communist system.

In Poland, Solidarity, the independent trade union, forged a unique alliance between intellectuals and workers against the ruling Communist Party, but elsewhere it was the youth and intellectuals, and not the workers, who made the revolutions.

In the new democracies, however, it will be the workers who will pay the highest social and economic price for four decades of misspent communist rule.

This could foster resentment among workers against the technocrats. Already some of the emerging trade unions, along with some members of the new governments, are trying to establish informal alliances as a means of applying a brake on the pace of economic reforms.

In Poland the once united Solidarity movement is split between workers, led by Mr Lech Walesa and intellectuals, epitomised by Mr Tadeusz Mazowiecki, the Prime Minister.

A populist and politician by nature, Mr Walesa resents the fact that the workers will have to suffer most with price rises and unemployment. He believes economic reforms should be coupled with the complete dismantling of the old communist apparatus.

While Mr Walesa remains popular with the workers, the old, pro-communist OPZZ trade union continues to attract support, in particular on the shop floor. It can still boast 5m members, compared with Solidarity's 2m. However, the OPZZ's ability to articulate workers' interests remains unproven, its communist past a liability.

In Czechoslovakia, the old Revolutionary Union Movement thrown up last November has been replaced by the strike committees which are controlled by Civic Forum.

Since then the new, 6m-strong Czechoslovak Confederation of Trade Unions has been trying to establish its own identity. It is led by Mr Igor Pleskot, who has considerable old communist trade union assets at his disposal. He wants the union to become independent from the Government and other political forces.

Under the old regimes east European trade unions were tame servants of the ruling élite. Except in Poland, workers have been, and still are, conservative and passive

On paper, the union is committed to a market economy. Yet in recent weeks, it has become a powerful ally of those who want the transition to a market economy to be slow, and as far as possible, painless. Its future role will be crucial in the economic reform debate between President Vaclav Havel, who favours a cautious approach, and Mr Vaclav Klaus, the Finance Minister, who supports shock therapy.

Hungary's trade unions are also searching for an identity. MSzOSz, the grouping of the official trade unions of the former communist regime, remains the largest with 3.5m members. But it is likely to be eclipsed by new trade unions which are fast becoming identified with political parties rather than workers' interests.

The 100,000 members of the old workers' councils which were set up during the 1956 Uprising to oppose the communists, are being wooed by the Democratic Forum, the conservative party leading the coalition.

Throughout the region, the very concept of trade union organisation has been discredited by the official unions' tame role under the former regime. This is the legacy haunting all the old trade unions in eastern Europe, one possible consequence of which is that workers may stage unco-ordinated wildcat strikes.

Another consequence is that workers' solidarity has been extinguished, even at the workplace. Workers in new joint ventures, for example, have shown a tendency, disturbing to trade union leaders of all political colours, to accept the banning of trade unions as a part of the price of the pay premium offered.

The fear of wildcat strikes which rippled through East Berlin earlier this month after German Monetary Union, the subsequent price rises and factory closures, casts a shadow over the hopes of West German managers set to play a big role in restructuring East German industry.

Comments by Mr Peter Rothe, a spokesman for the East German unions and head of the railway workers' union, will do little to allay these fears. Earlier this month, he said that a market economy was "against employees".

East German managers, who were former Communist Party directors of state enterprises, have warned that strikes would deal the final blow to enterprises struggling to become competitive.

By September, the FDGB, the moribund East German state trade union, will be disbanded and the Deutscher Gewerkschaftsbund, the West German labour federation, and the 21 East German branch unions will merge.

Trade unions in the Balkans face a different future. Working class militancy was almost non-existent in Bulgaria or Romania because the communist regimes created this class from peasants who were uprooted from the land and sent to new towns and cities as part of the regimes' goal of pulling their countries out of "backwardness".

Workers thus remained torn between their peasant traditions and a disorientated new class dependent on the state.

In Romania today Mr Petre Roman, the Prime Minister, has said he wants to keep wage increases under control, but miners were recently granted large pay rises. The last thing the governing National Salvation Front wants is worker discontent which could see the forging of an alliance between the workers on the one hand and the intellectuals and the youth, the Front's main opponents.

In Bulgaria, Podkrepa, the large independent trade union has staged strikes aimed at highlighting workers' miserable conditions and the fear of unemployment. Any reforms undertaken by Mr Andrei Lukanov, the Prime Minister, will require its support.

In Yugoslavia, the communist-dominated Confederation of Trade Unions has all but disintegrated in the light of the break-up of the ruling League of Yugoslav Communists. The independent trade unions which have sprung up in the six republics and two provinces are more concerned with local issues than defending workers on a federal level. Moreover, the ethnic divisions in the country make workers solidarity less likely.

Indeed, throughout the region, managing at the same time the uncertainty felt by those who never before had to worry about their job security together with the surfacing of antagonisms that were always suppressed will determine the success or failure of the reforms.

Compiled by Christopher Bobinski in Warsaw, Leslie Colitt in East Berlin, Judy Dempsey in London, Nicholas Denton in Budapest, John Lloyd in Prague and Laura Silber in Belgrade

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

Tokyo markets nervous amid interest rate fears

By Ian Rodger in Tokyo

GLOOMY comments about the Japanese inflation outlook by Bank of Japan officials yesterday sent bond prices lower late in the afternoon in anticipation of higher interest rates.

Both the stock and bond markets in Tokyo have behaved nervously in recent weeks because of fears that the central bank was about to tighten monetary policy.

The BoJ has become particularly concerned about the rise in the cost of services recently arising from the acute labour shortage in Japan.

Mr Yasushi Mieno, the bank's governor, asked in a speech yesterday in Tokyo whether interest rate increases would be effective in stemming service cost increases. However, he said that the strength of the economy was behind the labour shortage and, if the economy strengthened too much, a tighter monetary policy would be needed.

Controlling overall demand would be the key to maintaining stable prices, he said. However, he predicted that in the near term prices would remain stable, thanks to softening commodity prices and the strengthening of the yen. Although the economy was growing more quickly than its desirable rate of 4 per cent, he had no intention of reducing the current 5 per cent rate by a tight monetary policy.

Meanwhile, another Bank of Japan official expressed disappointment *yesterday that the* Japanese economy had recovered so quickly and strongly after the Tokyo stock market slump in the first quarter.

"We thought the triple declines (of the stock and bond *markets and the yen) would* dampen the speed of growth and inflation pressure, in effect, a bitter but effective pill," the official said. "But these days, both the bitterness and the effectiveness are disappearing."

The official acknowledged that the central bank thought money supply growth, at 12.6 per cent year on year in June, was too high even considering exceptional factors, such as the transitional effects of deregulation of Japan's bank deposit rates. He said it should be under 10 per cent.

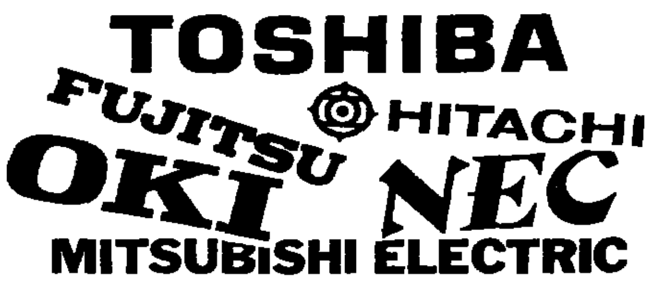
The recent rise in Japanese interest rates has contrasted with a declining trend in the US, *but the official said there* had been no fundamental change in co-operation between the monetary authorities in the two countries. The official said he did not know to what extent the US authorities were concerned that the narrowing of the differential between US and Japanese rates might discourage Japanese institutional investors from buying US securities. However, the Bank of Japan would not loosen its monetary stance to ease the flow of institutional investment funds to the US.

The rise and rise of a computer industry

Ian Rodger charts Japan's spectacular quest for the top in yet another enterprise

Domestic producers Vs IBM, confrontation becomes clear cut.

The headline on an article in last Friday's Nihon Keizai Shimbun, Japan's leading business newspaper, captured the *significance of the Fujitsu* takeover of the British computer company ICL in a nutshell.



Suddenly, as in motorcycles, consumer electronics, cameras and semiconductors in the past, *Japanese producers had* once again triumphantly joined the world's top players at the highest level of an industry.

And for all the talk in Japan these days about the need for Japanese industry to take a less aggressive and self-centred approach to world markets, the headline conveyed precisely the relentlessly competitive and nationalistic "We Japanese vs the rest of the world" mentality that still drives many industrial managers in the country.

For those who worry about this kind of behaviour, there may be some consolation in the thought that the computer industry case is probably the last one in which the Japanese can paint themselves as the weak underdogs who have struggled long and heroically against daunting obstacles to achieve world status. However, *it is also without doubt the* most spectacular one.

When the Ministry of International Trade and Industry decided in 1960 that the computer industry was of strategic importance to Japan's future and so domestic companies should be nourished, few expected that its promotion *strategy could be successful.* IBM and a handful of other capital-rich US companies dominated the already fast-moving sector, and the Japanese companies that were the chosen instruments for implementing the policy – Fujitsu, Hitachi, NEC, Toshiba, Mitsubishi Electric and Oki Electric – were sceptical themselves about whether it was worth the enormous effort that would be needed.

Still, Miti ploughed ahead, forcing IBM, as a condition of continuing to do business in the country, to transfer its computer technology to the Japanese companies, helping finance Japanese companies' sales and severely limiting the number of machines importers could sell in Japan.

Until as recently as five years ago, tariffs on computer imports were high and foreign -owned computer *companies* were in effect excluded from bidding on any public sector projects in Japan.

As expected, the Japanese manufacturers did not progress quickly, despite Miti's help. It was only in the mid-1970s that their impact began to be felt, and only in the home market. *In part, this was due to the* decision of Fujitsu, Mitsubishi Electric and Hitachi to introduce main frame computers that were "plug compatible" with IBM machines.

This enabled them to pluck away IBM's Japanese customers fairly easily, a practice enhanced, as the world learned in 1982 in the case of Hitachi, by outright thefts of IBM system software.

However, the home market was still growing slowly, partly because of the difficulty of making Japanese-language systems. As late as 1980, none of the Japanese companies had begun to generate profits from computers.

In the early 1980s, their strategies began to show signs of bearing fruit.

While the home computer market itself remained difficult, the companies were *beginning to expand abroad*, at first with sales of key computer components, such as semiconductors, data storage devices and printers.

Original equipment maker (OEM) and other marketing arrangements were set up with a variety of US and European companies. The companies also *gradually developed international* competitiveness in important "niche" products, such as super-computers and, most spectacularly, in laptop computers where Toshiba is world leader.

Also, *in the 1980s, mainly* due to the advances in semiconductor memories and video display technologies achieved by the Japanese companies themselves, small and personal computers suited to the Japa*nese market could be intro*duced. The Japanese companies, with their national networks of distributors and agents, were much better placed than IBM or other foreign companies to develop these markets and they still maintain better shares there.

In 1988, for example, IBM Japan ranked a close second to Fujitsu in the main-frame market with a 24.4 per cent share, but in the personal computer market, it stood a dismal fifth with only a 6.5 per cent share.

"It has been a very typical Japanese strategy. They do not attack head-on but, as in their game of Go, they probe patiently at various weak points until ultimately they completely surround their enemy," one computer industry analyst in Tokyo said.

It would be an exaggeration to say that the Japanese companies have already surrounded IBM. The combined computer sales of NEC, Fujitsu and Hitachi are still little more than half those of IBM. Yet NEC now ranks as the third-largest computer maker in the world after IBM and Digital *Equipment, and Fujitsu and* Hitachi are fourth and sixth respectively. Moreover, the Japanese companies have immense capital resources and are investing heavily for the future.

Their one remaining weakness is that they are still virtually totally dependent on Japanese brains working in Japan. And in an industry that is both global in scope and driven by technology, they know that will not be enough, *especially* as IBM and DEC have long attracted top engineers from all over the world and employed them in R&D centres in several countries.

That challenge, as much as anything, explains the proliferation of investments in US and European companies by the big Japanese companies in recent years, of which Fujitsu's purchase of ICL is the latest and most dramatic example.

The challenge is occurring not only in the US and European markets, but also in Japan. Now that import barriers have been removed, IBM and other foreign computer compan*ies* are intensifying their marketing efforts in this market.

It is already the second-largest computer market in the world, with sales last year of Y6000bn ($40bn), and industry analysts believe it will be one of the fastest growing in the world in the next decade. Fujitsu and other Japanese makers know they will have to become more cosmopolitan if *they are to maintain their posi*tions at home, let alone build their businesses overseas.

Zimbabwe suffers deficit setback

By Julian Borger in Harare

ZIMBABWE'S five-year *structural* adjustment programme suffered a blow yesterday when Mr Bernard Chidzero, the Finance Minister, admitted that he was unable to cut the size of the budget deficit this year as anticipated.

While *it* has been the government's stated aim to bring the deficit down to 5 per cent of gross domestic product by 1994, the government's estimated financing needs have grown by 25 per cent over last year's *expected estimate, and will* remain at 9 per cent of GDP, due largely to an estimated 25 per cent growth in *total* spending.

Mr Chidzero, presenting the 1990-91 budget to parliament blamed the increase in spending on the need to clear a two-year backlog of subsidies to parastatals of Z$300m ($122m) requiring total expenditure on parastatals this year of Z$650m, 40 per cent of which will go to the National Railways of Zimbabwe.

Mr Chidzero emphasised, however, that this would be the government's last injection of support to the parastatals on such *a scale, saying that those* which were unable to operate efficiently without such subventions will, in the future, "either be allowed to go out of existence, or be converted into joint ventures".

Mr Chidzero also pointed out that this year's budget has had to accommodate a major salary review and restructuring of the civil service promised during the general elections in March. *After a wave of strikes in the* public sector last month, civil servants are thought to have been offered an average of a 20 per cent pay rise.

In return, Mr Chidzero promised to reduce the size of the country's bureaucracy over the next few years by freezing posts as they fell vacant and by introducing incentives for early retirement.

The finance minister went on to announce the withdrawal of the state's commitment to free primary education for all. He said the government, beginning in the 1991 school year, would "take steps to recover costs through the introduction of manageable school fees", based partly on the ability to pay.

Despite the increase in budgeted expenditures, Mr Chidzero maintained his commitment to supply-side taxation measures.

He will the company tax rate from 50 per cent to 45 per cent, beginning April 1 1991, and raise the income tax threshold from *Z$2,000 to Z$3,600, while* top marginal rates will apply to those earning above Z$45,000, Z$5,000 higher than the present level.

● The government has outlined its new land policy, aimed at redistributing ownership towards black farmers.

Agriculture Minister, Mr Witness Mangwende, said earlier this week that both the constitution and the Land Acquisition Act would be amended, to allow the government to appropiate land with compensation only in local currency.

The government would be able to control the price of agricultural land, and to stipulate minimum and maximum farm sizes.

A tax on underutilised land would also be introduced, and land purchase by foreigners would be made illegal. Legislation will, Mr Mangwende said, be drawn up to outlaw the ownership of more than one farm by an individual.

Under the British-brokered Lancaster House agreement, that brought Zimbabwe independence in 1980, the state could only acquire land on a "willing seller willing buyer" basis, with compensation being determined by market prices and paid, on request, in foreign currency.

Lancaster House expired in April, and President Robert Mugabe campaigned for general elections earlier this year on the slogan "land to the people now."

Girl's death shakes rigid Japanese school system

By Stefan Wagstyl in Tokyo

THE death of a 15-year-old girl, who lost her life because she was a few seconds late for school, has prompted an agonised debate in Japan about discipline.

Ryoko Ishida was killed on the morning one of her teachers decided to take action against latecomers. Standing by the 200kg school gate, he shouted warnings that he would close the gate at 8.30. As the time approached he counted out the seconds from *10 to zero and then slammed* the gate shut just as Ryoko was passing through. Her skull was crushed between the iron gate and a concrete pillar.

The incident earlier this month at a high school in Kobe, western Japan, prompted outraged reaction from leading newspapers: "This is a story that freezes our hearts," said one. "Teachers forget their pupils are human beings," said another.

Yesterday the local education authority dismissed Mr Toshihiko Hosoi, the 39-year-old teacher who closed the gate, and reprimanded Mr Atsuo Nomura, the headmaster, who resigned. Four other officials were disciplined.

The concern of many Japanese parents is that Ryoko's death is not an isolated incident but a reflection of an *obsession with rules and regu*lations on the part of many teachers. Mr Isao Hirakuri, a lawyer acting for the dead girl's parents, says: "Excessive concern about regulations caused this incident. It was partly the fault of the individual teacher and partly the fault of the whole system."

Newspapers have published accounts of other incidents, notably one in which two teenage boys were buried by teachers up to their necks in sand on a beach during a school outing. They were left at the ocean's edge for 20 minutes as a punishment for allegedly trying to extort money from classmates. Corporal punishment is illegal, but some parents say their children are too frightened to report incidents.

Japanese are proud of the fact that they produce some of the best trained young people in the world. While many parents think these results could be achieved without rigid discipline, others welcome the regulations. Some teachers would like to give pupils more freedom but worry that this could be difficult with, on average, 40 and more in a class.

Some teachers are concerned there is a deep-rooted bias towards tough discipline. Professor Minoru Murai, who researches the philosophy of education, says this was born out of the late 19th century Meiji government's need to rapidly transform farmers' children into suitable material *for the factory and the army.*

The emphasis on discipline was reinforced by Japan's prewar military leaders. After the war, schools were cleansed of their militaristic features, but *society continued to value obe*dience in young people.

Prof Murai says: "It is all a tragic result of the formation of the modern state. Following a leader without complaining is considered good." If he is right, all the heart-searching prompted by the death of Ryoko Ishida may in the long run make little difference.

The New Zealand Prime Minister, Mr Geoffrey Palmer, praising Japanese wine during an official dinner in Tokyo yesterday as Mrs Sachyo Kaifu, wife of his Japanese counterpart, looks on

Chinese economic reform 'a sham'

By Peter Ellingsen in Peking

AFTER more than a decade of proclaimed reform, a top mandarin has revealed what astute observers have long suspected – China's economy has not really altered.

In a front page article in yesterday's China Daily, Zheng Hongqing, a head of the government's economic think-tank, says little has changed in 10 years, and if the inertia goes on, the economy will falter. Despite some gains, he concedes that China's "traditional economic framework has remained essentially intact".

Zheng, chief of the general planning bureau of the State Commission for Restructuring the Economy, warns that without real change, China's economy will stall. "In due course the economy will find itself in the position of being difficult to move forward," he says.

Flying in the face of party hardliners, Zheng attacks the centre's stranglehold on planning and industrial management, and calls for modern business practices, in particular, a shareholding system of ownership. He also advocates sweeping changes including "a fully developed tax system, independent central bank, and competition between banks".

Zheng is known to have played an active role in last year's pro-democracy marches. Despite this, he has kept his position, and been able to air his views prominently, which suggests he has high-level protection, possibly from paramount leader, Deng Xiaoping, who is trying to reinstate economic initiatives shelved after last year's upheaval.

Zheng's critique is a slap in the face to economic conservatives led by Chen Yun, 85, Deng's arch rival, and patron of *Prime Minister Li Peng. While* his analysis does not reflect the line being followed by the government, and is unlikely to be adopted in the short term, given the party's emphasis on stability, it indicates reformers may be gaining ground. Analysts said it was revealing in that it exposed China's inability to address the hard questions of restructuring, such as central control, ownership and, by implication, prices.

China has recently eased the austerity measures adopted in 1988 to combat high inflation, and strengthened after the June 4 turmoil. Interest rates have come down, and banks have boosted lending, to revive the economy from the decline of early this year. The government is now aiming for 6 per cent growth, half that of 1988, but the chronic structural problems causing under-employment, inflation, corruption and low productivity, have been shelved as too difficult to solve.

According to Zheng, there is a pressing need for better management which will lead to a "shareholding system in which the state will be the major shareholder".

Under such a system, the state will keep its party officials in factories, but out of the key management decisions they now dominate. As enterprises disengaged from the government, they would pay taxes, instead of avoiding them, Zheng said.

Peking to join talks on nuclear treaty

CHINA will attend talks on the nuclear non-proliferation treaty for the first time next month, a British minister said yesterday, **Reuter reports from Peking**.

Foreign Office minister, Mr Francis Maude, the most senior official from western Europe to visit China since its crackdown on dissent last year, made the announcement after three days of talks.

China, the third-largest nuclear power after the US and the Soviet Union, has previously refused to take part in the nuclear disarmament process on the grounds that the superpowers have far greater nuclear superiority.

Mr Maude quoted deputy foreign minister, Tian Zengpei, as saying China would attend the Geneva talks next month as an observer. The talks, held every five years, review the treaty.

Joining the treaty would not mean fixing limits on China's nuclear arsenal but could lead to safeguards and inspections.

Delhi pushes for release of official

By Kunal Bose in Calcutta

THE INDIAN Government has put pressure on the local government in Assam to secure the release of the senior official of Indian Oil Corporation, his 24 year old son and their driver who were taken hostage by the United Liberation Front of Assam (ULFA) on July 16 in Guwahati.

The whereabouts of the three is still unknown even though the Assam government is using neutral intermediaries to secure the release of hostages.

ULFA has said that it will release the three hostages provided the state government sets three of its arrested members free.

The extremist organisation,which has struck unprecedented terror in Assam, has threatened to kill the three hostages unless the suggested trade off takes place.

The Assam government has shown its readiness to talk to ULFA with a view to securing the release of the hostages. Soon after the kidnapping incident, Mr George Fernandes, railway minister and Mr M.S. Gurupadaswamy, the petroleum minister, dashed to Guwahati to help the state government resolve the crisis.

While in Guwahati, Mr Gurupadasswamy announced that Rs8bn ($465m) would be invested for the development of oil industry in Assam in the next five years. The announcement of such massive investment for the development of one of the two major industries in the state – the other being tea – should please the ULFA, which believes the central government has discriminated against Assam since independence in 1947.

Meanwhile, ULFA has not responded to the offer from Mr Jain, the planning commission member, that he be held instead of the three kidnapped people.

Mr Jain, who also co-ordinates the development programmes of Assam has told ULFA bluntly that unless the businessmen and professionals from outside the state feel secure in Assam, it will be impossible to implement the development package.

In fact, because of the ULFA campaign, a large number of non-Assamese have already moved out of Assam. Most of them are coming to Calcutta where real estate prices as a result have risen sharply.

The situation in Assam would not have deteriorated to this extent had Mr Prafulla Mahanta, chief minister and Mr Bhriguphukan, home minister, not been at loggerheads. ULFA so far has taken full advantage of the in-fighting in the state government.

● Indian Prime Minister Vishwanath Pratap Singh returned home yesterday after a four day visit to the Soviet Union aimed at expanding trade and political ties, **Reuter reports from New Delhi**.

Mr Singh told journalists at Delhi airport: "The visit was very fruitful, politically very successful. We were able to establish one-to-one contact."

Mr Singh held talks with President Gorbachev and Prime Minister Ryzhkov.

Koreans make progress at Panmunjom talks

By John Ridding in Seoul

NORTH and South Korea yesterday signed an agreement for an unprecedented exchange of visits by their prime ministers, but negotiations aimed at arranging a joint independence day rally collapsed.

The prime ministers' meetings, which are planned for September and October, are the highest level contacts to be scheduled between the two Koreas since the division of the peninsula after the Second World War.

But shortly after the agreement was signed, private talks on the joint rally to be staged next month stalled on procedural details.

The North Korean delegation, which would have been the first to visit South Korea since 1985, waited in the border village of Panmunjom amid wrangling over travel arrangements and the venue of *the meeting. It later cancelled* the proposed talks and returned home from the border crossing point.

The failure of these talks raises a question mark over whether the prime ministers' meetings will go ahead as planned. In comments to the press, Mr Paik Nam Jun, the chief North Korean delegate at yesterday's official talks, appeared to link the prime ministerial talks to progress in arranging the August 15 rally.

South Korean delegate, Mr Song Han Ho, left, and his northern *counterpart, Mr Paik Nam Jun, at Panmunjom yesterday*

According to the agreement, the meetings between Mr Kang Young Hoon, South Korea's Prime Minister and Mr Yon Hyung Muk, his northern counterpart, would be held in Seoul from September 4 to 7 and in Pyongyang from October 16 to 19.

The two sides will discuss reducing tensions across their highly militarised border and the signing of a formal peace treaty. "This precious fruit *will open a decisive chapter in* a road to ending national division and achieving peaceful unification," said Mr Song Han Ho, the South Korean chief delegate.

But while analysts welcomed the agreement as a step towards improved relations, they continued to express caution. "It is still possible that the planned talks could break down or be postponed," said one western diplomat who cited the disappointing record of previous negotiations between the two sides.

The contrasting fortunes of yesterday's two sets of negotiations reflect both the pressures on both sides to improve relations and the continuing mutual suspicions and complexities involved in contacts between the two Koreas.

After a five month hiatus in contacts between the two sides, which ended last month, there have been a number of indications of substantial progress. But these have been generally been followed by deadlock over details.

Indonesia in warning over Bougainville

By Kevin Brown in Sydney

INDONESIA has urged Australia to increase its A$50m (£21.5m) military aid to Papua New Guinea in order to end a secessionist revolt on Bougainville island, Dr John Hewson, leader of the federal opposition, said yesterday.

Dr Hewson said he had been told "quite forcefully" by Gen Benny Murdani, the Indonesian Defence Minister, that there was an urgent need for Australia to do more to stabilise Papua New Guinea.

He said Australia should consider Gen Murdani's concern as a clear warning, given Indonesia's *historical concern* over Papua New Guinea's border with the Indonesian province of Irian Jaya, where an armed independence movement is active.

"Here you have a major, if *not the major,* near neighbour of Australia saying to us, 'look, you have really got to do more in relation to PNG, and if you do not there is always the risk that others will'," he said.

Nigeria imposes a foreign exchange bar on companies

By William Keeling in Lagos

THE Nigerian central bank has barred 198 companies from the foreign exchange market. The companies include the Nigerian National Petroleum Corporation, Mobil Oil (Nigeria) and Scoa Nigeria.

The bank said the companies had defaulted in the submission of shipping documents, contrary to regulations.

Such documents are necessary for the central bank to verify that the foreign exchange has been used for its declared purpose. The central bank has requested all authorised dealers "to desist with immediate effect from transact*ing any foreign exchange busi*ness including transfering funds in favour or on behalf of the companies".

Bankers say the central bank is under pressure to enforce regulations in the *banking sector, especially in* relation to foreign exchange transactions.

A fall in export earnings and a rise in liquidity within the banking system are putting the naira under growing pressure. In the second quarter of the year, the central bank reduced its allocation of foreign exchange to the market while underlying demand is thought to have increased. The amount offered fell from $760m (£417.6m) in the first three months to $588m from April to June. Demand is estimated to be twice that of supply.

The official exchange rate, which has remained at 7.9 naira to the dollar throughout the first half of the year, is described by banking sources as "highly controlled". But many bankers believe it will *have to move above eight naira* in response to a sudden rise in the parallel market rate. The gap between the official and parallel market rates has widened from 14 per cent to more than 20 per cent in the last three weeks.

The rise in liquidity within the banking system will, if maintained in the third quarter, increase pressure on the exchange rate and on inflation.

Explosion kills 25 in west Beirut

A SYRIAN army petrol tanker carrying 30,000 litres of benzine exploded after careening off the main Damascus-Beirut highway into a hotel in the Lebanese market town of Chtaura early yesterday, killing its driver and at least 25 other people, **Lara Marlowe writes from west Beirut**.

Chtaura residents said that another 15 were wounded. The truck was travelling from Damascus to supply Syrian troops in Beirut. The explosion sent a fireball through the Kassouf Hotel, which was completely gutted.

The owner of the hotel, Dr Tony Kassouf, a prominent local figure, his brother and mother were among the dead.

AMERICAN NEWS

Brazil sells domestic gold to combat inflation

By Christina Lamb in Rio de Janeiro

BRAZIL'S Central Bank is intervening heavily in the domestic gold market in an unprecedented effort to manage the dollar-cruzeiro exchange rate and so bolster the government's economic stabilisation programme.

In the past four months, the government has sold to domestic buyers more than 150 tonnes of gold. Dollars thus realised have helped narrow the gap between the official floating exchange rate for the dollar and its parallel market rate from more than 100 per cent to 24 per cent.

The parallel dollar rate has long been the benchmark of private sector confidence. The Central Bank believes that, if it can continue to force this rate down for the next two months, then people will stop resorting to the dollar as a hedge.

The large turnover has been possible because much gold came onto the market in *March when, as a result of the* government freezing assets, people began to sell gold to raise cash. Last year, the Central Bank's reserves stood at *128 tonnes while a further 200* to 300 tonnes were thought to be hoarded by individuals as a hedge against inflation. Expected domestic production this year *is 96 tonnes.*

According to Dr Daso Coimbra, deputy director of the bank's gold department, gross gold sales between February, when the operation began, and the third week in June had reached 146.9 tonnes. Each month it has risen and Mr Ines Rodriguez, Central Bank director of international operations, said the bank's activity would increase in August and September "to maintain stability in the exchange rate".

Dr Antonio Sochaczewski, Central Bank director of exchange, claims, however, that the bank's net sales only *amounted to 54 tonnes. This* was because the rest was bought back at the parallel price of the dollar, which had fallen like that of gold.

Mr Ricardo Eichenwald, director of RTZ in Brazil, said the gold market was "becoming scared" by the bank's intervention. "The market and the bank have different objectives. The market looks to gold as an investment and an asset, but the bank sees it as an instrument to manipulate dollar prices and control the flow of the parallel market in a very simple way."

Mr Rodriguez defended the bank's aggressive behaviour: "The Brazilian mentality is that it is much easier to gain money from speculation and non-productive operations. We are trying to change this but, because the culture is resisting the idea, we are having to intervene and make sure the dollar is not worth buying."

Collor vetoes law to index pay rises

By Christina Lamb

PRESIDENT Fernando Collor of Brazil yesterday vetoed a law passed by Congress to reintroduce indexation of wage rises to inflation, provoking fears of an upsurge in labour unrest.

The Collor administration insists that the uncoupling of pay and prices is fundamental to the success of its radical economic adjustment programme. For two months, the government has been battling with Congress and the courts to introduce free collective wage bargaining.

The government promised a one-off bonus to those earning less than the equivalent of $250 per month, as a compromise and as compensation for inflation now at at 12 per cent a month. The government has not yet decided how big the bonuses would be or when they would come.

The veto yesterday is likely to be challenged in court as unconstitutional. It is also likely to provoke further action from unions demanding wage increases of 166 per cent.

The Ford car plant has been paralysed by a strike for 46 days and was attacked by workers on Wednesday night for the second time in a week. Workers at the state National *Steel Company (CSN) this* week voted to continue a 17-day strike and to step up protests by blocking a nearby motorway.

Police have been sent to protect the Ford plant but the government has not intervened in the CSN strike. The company is a candidate for privatisation.

Latin America investment prospect 'good'

PROSPECTS for an increase in foreign direct investment in Latin America are good, following years of weakness, says a report published today by the Institute of International Finance, writes Stephen Fidler, Euromarkets Correspondent.

However, while the rate of return from direct investment in Latin America has almost doubled in recent years, having risen from 6.6 per cent in 1984 to 12.5 per cent in 1988, it continues to lag behind that of other developing regions, where returns averaged 23 per cent in 1988.

Projections made by the institute, a Washington-based research group established by commercial banks in 1983 to study the risks of lending to developing countries, suggest that foreign direct investment in the 10 main Latin American countries could rise to $9bn this year, from an estimated $6.6bn last year.

Foreign direct investment over the last 10 years peaked in 1988 at $8.1bn, falling in 1989 largely because Mexico suspended its debt-for-equity swaps programme. For most of the decade, though, it was running at an annual $3bn to $4bn. The institute projects 1991 investment at $8.9bn.

The projected increases *arise because of* the outlook for improved economic policies in the region and extensive use of debt-equity swaps in privatisations in Argentina, Brazil and Mexico. The picture would be jeopardised in the absence of durable macroeconomic stability and of rapid structural reforms.

The figures – which include equity, reinvestment and debt-equity swap flows – show investment in Argentina reaching $2.9bn this year and $2bn next year, from $1bn in 1989. Investment in Brazil is seen rising from $880m last year to $1.5bn this year and $1.8bn next.

In Mexico, it should rise to $2.85bn and then $3.25bn, compared with $2.24bn last year. But the Mexican total could increase to $4bn in 1991 if foreign investment in commercial bank privatisations is included. These are expected to begin this year.

Direct investment, although of increasing importance because other flows of international funds for Latin America have dried up, "is not a substitute for other forms of international capital," the report says. It would not finance infrastructure development, nor trade finance needs and would be of secondary importance in establishing domestic companies.

Fostering Foreign Direct Investment in Latin America; Institute of International Finance, 2000 Pennsylvania Avenue NW, Washington DC 20006; tel: 202-857 3600.

Call goes out to tax the foreigners

Peter Riddell on US moves against 'inadequate' payments by subsidiaries

THE DEMAND going around Capitol Hill these days is: "Tax the foreigners."

Whatever else emerges from the budget negotiations, action to increase the taxes paid in the US by subsidiaries of foreign-owned companies is virtually certain.

Charges about the allegedly inadequate level of such tax payments have recently grown in frequency. Hearings of the oversight subcommittee of the House Ways and Means Committee have focused on companies engaged in the car, motor*cycle and electronics* equipment distributor industries. This is a barely coded reference to Japan and South Korea since three-quarters of the companies investigated were controlled by Pacific Rim multinationals.

These inquiries reflect underlying worries about the rapid growth of foreign investment in the US, and offer an apparently politically painless way of raising tax revenue. One Senate committee staffer reports a dramatic increase in interest from the moment that President George Bush dropped his "no new taxes" pledge.

The charge is that foreign-owned corporations pay relatively less tax than domestic US companies. The Internal Revenue Service (IRS) says the data for 1983-87 "clearly dem*onstrates that such corpora*tions may be substantially understating their US income tax liability".

The rate of return on assets of foreign-owned corporations was less than a quarter that of US-controlled domestic corporations over this period, while net income as a percentage of total receipts was less than a fifth. The contrast was greatest in finance and insurance.

This data has been challenged by foreign investors. Comparisons are significantly influenced by the sharp fall in the value of the dollar in 1986, large depreciation and amorti*sation deductions associated* with start-up costs and high levels of debt.

Rate of return on assets in US (%)

Year	US companies	Foreign-controlled companies
1981	2.2	1.4
1982	1.3	0.3
1983	1.6	0.3
1984	1.9	0.8
1985	1.7	0.5
1986	1.7	-0.2
1987	1.9	0.6

Source: Internal Revenue Service

A study commissioned by the Organisation for Fair Treatment of International Investment, a group backed by ICI and other foreign investors, argued that in the 1983-86 period foreign-controlled US corporations paid on average a slightly higher effective US tax rate than all *other corporations* as measured as a percentage of assets, net worth or positive net income.

These are murky waters. *There are a multitude of rea*sons why relative returns might vary, such as the age of an investment and varying capital structures, as well as the fact that many foreign-owned subsidaries are distributors rather than manufacturers and have low returns on sales. It is not just, or merely, a matter of Japanese and other multinationals engaging in transfer pricing dodges on internal transactions to understate *their US profits.*

Even so, the weight of evidence received by the Ways and Means Committee is that more than half the companies investigated paid little or no federal income tax and most of the 36 companies "engaged in questionable transfer pricing practices".

*Many foreign-controlled sub*sidiaries are claiming excessive insurance, interest and freight costs. One electronics company (apparently a well-known Japanese group) was described by IRS agents as a "very aggressive and egregious taxpayer" since it reported just $15m in tax liabilities over seven years on gross receipts of $15bn.

These charges – notably *allegations about specific cases* made in closed session – were seized upon by the committee members. There are varying estimates of the total tax revenue lost – from $12bn to $26bn in 1987 with a cumulative backlog ranging up to $200bn.

It is not surprising that Congress has been receptive to well-timed IRS requests for more money and staff.

Only the US Treasury has expressed some caution, arguing that intensified audit and new compliance efforts enacted last year should produce positive results and be given "adequate time to work before introduction of major new initiatives".

The Treasury has warned that any actions "must withstand the test of fairness and must adhere to international standards if US businesses are to continue to enjoy the benefits of co-operative relationships between the fiscal authorities of other countries".

Foreign governments and investors face a dilemma. Protestations of innocence and complaints about burdensome reporting demands do not carry much conviction when some companies, if only a minority, are apparently guilty of transfer pricing. It is also not just a US problem: a study is circulating on *Capitol Hill* of similar alleged Japanese practices in another country.

Moreover, the IRS has acknowledged that it has faced *"significant transfer pricing* issues involving US-based multinationals" which are understating their tax liabilities.

There is an obvious need for a *more co-ordinated interna*tional response, but that is unlikely to be enough to head off unilateral US action this year to increase the taxes paid by foreign investors.

Salvador peace talks progress

By Tim Coone in Managua

A BREAKTHROUGH came yesterday in the deadlocked El Salvador peace talks, raising hopes of a September ceasefire between the government and the left-wing FMLN guerrillas.

After *six days of difficult* negotiations in Costa Rica, the two sides agreed on the creation of a UN human rights verification mission in El Salvador, which will have broad powers of investigation. The mission will be established once a ceasefire has taken effect.

A September ceasefire has been the principal aim of the latest series of peace talks, initiated in January in Geneva.

The thorny issue of a shake-up of the Salvadorean armed forces, which the FMLN *has insited on so as to remove* army officers believed to be linked to human rights violations, has been left for future talks.

The FMLN clearly hopes that the creation of the UN mission will greatly strengthen its negotiating position.

The agreement also commits the right-wing government of President Alfredo Cristiani to restrain the death squads, to end arbitrary arrests, and to respect the basic rights of *habeas corpus*, freedom of expression and freedom of *association.*

Mr Shafiq Handal, leader of the FMLN delegation, said: "This is an important advance, but should not be overrated. The important thing is that the agreement be complied with".

The next round of talks – vital for establishing a ceasefire – is to be held in San José, Costa Rica, on August 17-22.

Son of pro-Menem Argentine union boss murdered

By Gary Mead in Buenos Aires

THE SON of an influential Argentine trade union leader and friend of President Carlos Menem *has been found* murdered, 19 days after he was kidnapped, Mr Julio Mera Figueroa, Interior Minister said.

Police discovered the body of *Mr Guillermo Ibáñez, 28, in the* seaside resort of Mar del Plata, 250 miles south of the capital.

Mr Diego Ibáñez, father of the victim, is one of Argentina's foremost union leaders, having been for many years secretary-general of the United Oilworkers' Union (SUPE).

There are strong suspicions that the kidnapping and murder were politically motivated.

Mr Ibáñez senior has lately curtailed his early resistance *to President Carlos Menem's* plans to privatise Argentina's oil reserves and, eventually, Yacimientos Petrolíferos Fiscales (YPF), the state-owned oil company which controls the bulk of Argentina's oil exploration and exploitation.

SUPE's strength will drasti*cally diminish if that happens.* Most of SUPE's 50,000 members are employed by YPF.

Insiders have frequently alleged that Mr Ibáñez has had powerful *influence over* YPF's key managerial appointments.

Police have detained two men suspected of involvement in the killing, one a distant relative of the victim. The union has declared a 24-hour strike in protest at the murder.

The union leader was *arrested in 1976 for trying to* board a domestic flight while illegally armed with two handguns.

After four years in jail, Mr Ibáñez re-gained control of SUPE in 1982. Some of his sentence was served alongside Mr Carlos Menem, also detained by the military dictatorship of the time.

WORLD TRADE NEWS

Moscow calls for western loans

By David Marsh in Bonn

MR LEONID ABALKIN, the Soviet Union's chief economic reform strategist, yesterday advised other governments to follow West Germany's lead by providing loans to reduce Moscow's arrears to western companies.

Delivering a no-holds-barred view of the Soviet Union's eco*nomic reform prospects*, Mr Abalkin told a press conference that Bonn's recent guarantee of a DM5bn ($3bn) bank credit was a "good example" to other industrialised nations.

"Why shouldn't they (other governments) act, if they want to support our reform efforts?" he said. Most of the DM5bn credit is to be used to clear up the Soviet Union's payments backlog vis-à-vis West German suppliers.

This approach towards arrears, which Mr Abalkin termed as "far-sighted and politically sensible" on the part of Chancellor Helmut Kohl, should be followed by other countries too, he said.

Mr Abalkin, who is visiting West Germany for talks with the Government and industrial and economic, organisations stressed that efforts to bring in a *market economy* in the Soviet union were bound to bring social problems. "There will be difficulties before us.

"It would be an illusion to think that there is a simple way without pain," he said.

However, the government would be making an effort to mitigate social hardships for "dozens of millions" of people in the most vulnerable categories, including pensioners, invalids, families with many children and young people undergoing training, he said.

US orders UK cordless telephones

A UK company has won an order to test a cordless telephone system in the US which could open up a large export market, it was announced yesterday, PA reports from London.

GPT, the telecommunications company formed by GEC and Plessey, said Bell Atlantic Mobile Systems had placed a £200,000 order to test a system in Philadelphia. It could lead to an export market for British telecommunications technology worth up to £25m by 1996.

The US trials will begin in January and involve the telepoint application of CT2, the latest generation of equipment developed in the UK.

Bell Atlantic Mobile Systems is a division of Bell Atlantic, one of the regional Bell operating companies in the US.

● Glaxo Holdings of the UK is investing about $20m to work with Gilead Sciences, a California-based pharmaceutical company, on molecular genetics and pharmaceuticals development.

Glaxo will take a minority shareholding in Gilead and undertake an initial five-year research programme into new medicines for cancer.

IMF leads Moscow delegation

By Peter Riddell, US Editor *in Washington*

Mr Michel Camdessus, the managing director of the International Monetary Fund, arrived in Moscow yesterday for three days of talks about the study of the Soviet economy, initiated two weeks ago at the Houston summit of the Group of Seven industrialised countries.

The study into the Soviet economy's problems and needs involves the IMF; the World Bank; the Organisation for Economic Co-operation and Development; and Mr Jacques Attali, the designated president of the European Bank for Reconstruction and Development.

The Soviet Union is not a member of either the IMF or the World Bank, but a number of senior officials of both bodies have been looking at its economic problems.

The Houston communique said the study should make recommendations for the reform of the Soviet economy and "establish the criteria under which western economic assistance could effectively support these reforms."

Poland may reduce exports to Soviet Union

By Christopher Bobinski in Warsaw

POLAND will consider cutting deliveries of raw materials to the Soviet Union if present shortfalls in supplies of Soviet oil are not made up later this year, Mr Dariusz Ledworowski, a deputy foreign trade minister has told the Rzeczpospolita daily newspaper.

The statement came as Poland sees further cuts in Soviet oil deliveries. Total *deliveries this* year should reach 12m tonnes.

In the first six months of this year, the Moscow delivered 5m tonnes of oil, 23 per cent less *than contracted and* a fifth below last years deliveries in the same period.

At the same time purchases from hard currency suppliers at 1m tonnes ran 20 per cent below last year's levels. However Poland this year is expecting 1m tonnes of oil deliveries from Iraq, arranged as repayment of earlier loans *to that country.*

● Mr Slavomir Stracar, Czechoslovak Foreign Trade Minister, said yesterday his talks with Soviet authorities on future oil supplies to Czechoslovakia have failed, AP reports from Prague.

Soviet supplies of crude oil are expected to be 2.6m tons short of the total of 16.6m tons scheduled to be supplied by Moscow to Prague this year.

Czechoslovakia, which is fully dependent on Soviet oil supplies, raised petrol prices by 50 per cent last week to cope with the shortages.

Mr Stracar, who returned from Moscow yesterday, said that Czechoslovakia demanded a minimum of 40,000 tons of oil per day to keep its oil processing industry going.

He said he also negotiated on ways to convert Czechoslovak assets in the Soviet Union into convertible currencies once Comecon introduces accounting in hard currencies from January 1991.

The Soviet Union owes Czechoslovakia Rbs2bn, a debt likely to increase by another Rbs500m this year, officials said.

In the past, Czechoslovakia exported most of its engineering products to the Soviet Union in return for oil supplies.

Too little this week – but not yet too late

Peter Montagnon and **William Dullforce** assess four days of multilateral trade talks

FOUR days of top-level talks in Geneva designed to revitalise the Uruguay Round of multilateral trade negotiations left things on a knife-edge, according to one senior diplomat.

"Few delegations realise the enormous amount of work to be done and how desperately short we are of time," he added. The only significant breakthrough this week has *been a clear statement by the* European Community that it is now ready, after 3½ years of prevarication, to begin serious negotiation on world farm reform.

Apart from that, leading officials spent much of the week organising a strict timetable for the remaining 15 working weeks of the Round. Even this, although regarded as an achievement by seasoned trade officials, has aroused considerable scepticism among many delegates who doubt governments' ability *to meet it.*

Top US and EC officials began by agreeing on Sunday in the shady garden of Mr David Hawes, Australia's ambassador to the General Agreement on Tariffs and Trade, to break their deadlock over how to proceed with the farm talks.

This understanding opened the way for agreement in the agriculture group that all countries should submit by October 1 detailed lists of all their current farm support measures as a prelude to negotiation on scaling them down.

But the US and EC have not budged from their basic positions. Washington is still call*ing for specific policy* commitments in the three separate areas of domestic support, import barriers and export subsidies. The EC insists that cuts should be governed by an overall mathematical formula, the aggregate measure of support, which would allow policy flexi*bility in implementing* them and prevent export subsidies being singled out.

To avoid opening the floodgates to bitter rows between all participants, the two powers deliberately suppressed further discussion on agriculture or on any of the deep divisions among Gatt members on other outstanding issues.

This tactic, which aroused frustration and resentment among the bulk of other participating countries, leaves the Round still vulnerable in several crucial areas.

These include not only textiles, where there is still no agreement on how to phase-out the much-despised Multi-Fibre Arrangement.

Tempers have also flared on measures against dumping – the sale abroad of products at a price below those in the exporter's domestic market – where Japan, Hong Kong and Singapore have been demanding relief from what they see as arbitrary misuse of existing Gatt rules by the US and EC.

A long list of other problems remain – in services, intellectual property rights and investment barriers. *None of these* can be resolved without political input, reaching in some instances to the very top government levels.

But in constructing their work programme negotiators said they were seeking to avoid calling on their ministers to attend the negotiations in person. The programme is carefully structured to allow increased input from capitals without the distracting fanfare of an extra ministerial circus in the run-up to the final meeting of trade ministers in Brussels at the beginning of December.

The tabling of progress reports this week by the chairmen of all the individual negotiating groups – albeit in some cases merely exposing divergences and unresolved choices for future action – has at least signalled clearly where problems remain and the linkages between them.

This complex web of linkages is going to become increasingly important in the next few months, as governments seek to evaluate the benefits they gain against the concessions they must make to achieve a successful outcome.

Under the timetable he established yesterday, Mr Arthur Dunkel, Gatt director-general, also wants to accelerate the lagging negotiation on all agenda items that come under the heading known as market access.

These items include reductions in tariffs, the lowering of non-tariff barriers, new rules for natural resource-based goods such as timber and mined products, as well as the removal of restrictions on tropical products ranging from *bananas to rubber.*

One of the surprises this week has been a complaint by Mr Julius Katz, deputy US Trade Representative, that offers of *tariff cuts have* been running at less than half the 33 per cent target.

Tensions rose following his remarks which included a threat to leave out in the cold countries which were not ready to negotiate seriously. Developing countries took particular offence at this remark because of Washington's own continuing prevarication on textiles.

Preparing the tariff-cut offers is also a gargantuan task because they cover thousands of individual items. The deadline of October 15 imposes a *crushing burden on the* administrative capacity of smaller developing countries and this alone is a reason why some have called the timetable unrealistic.

But the big industrial countries have demonstrated their determination this week to try for the maximum possible level of agreement before the Brussels meeting.

One danger is that they will reach decisions among themselves without adequately consulting important developing countries which are being asked to open their markets to service industries. Another is that they may continue to shy away from sensitive political decisions of their own until it is too late.

Concentrating minds from now on, however, is the realisation that the timetable agreed this week holds out the last chance of success for the most ambitious round of trade negotiations ever undertaken.

COUNTDOWN TO THE END OF THE URUGUAY ROUND:

Last week August: **Individual negotiating groups reconvene.**

October 1: **Deadline for participants to file details of their farm supports.**

First week October: **Chairmen of negotiating groups to make progress reports to Gatt director-general.**

October 8: **Work starts on drafting final agreements. Senior officials responsible for the overall conduct of negotiations "must, from then on, be in Geneva with full power to negotiate".**

October 15: **Offers must be in place for market access (tariff-cuts, lowering non-tariff barriers, natural resource-based products, tropical products); *also deadline for offers to cut* farm supports and for compromises on rules of origin and pre-shipment inspection as well as proposals for rolling back existing protection.**

November 23: **Complete outline agreement to be ready and translated into Gatt's three official languages (English, French, Spanish).**

December 3: **Trade Ministers meet in Brussels to finalise the agreement.**

India simplifies export promotion

By K.K. Sharma in New Delhi

BHARAT Business International (BBIL), a newly established holding company for Indian government-owned trading corporations, is to be the main Indian representative overseas for promotion of exports.

India's commerce ministry has decided to wind up a number of organisations in other countries for promoting trade generally and particular commodities. The aim is to save foreign exchange and to rationalise efforts *for trade promotion.*

BBIL will provide what ministry officials call a "single-window" service for companies abroad which wish to trade with India. Although representative offices of autonomous organisations like the Engineering Export Promotion Council will not be affected, a number of offices abroad are to be wound up.

These include several offices of the Trade Development Authority, the Tea Board, the Spices Board, State Trading Corporation and Project and Equipment Corporation.

BBIL plans to set up offices at London, Frankfurt, Dubai, Moscow, Hongkong, Singapore, *Melbourne*, Berlin, Tokyo and some other business centres to begin with.

The Indian Government recently decided to close down a *number of offices* abroad as part of its exercises to save scarce *foreign* exchange. The commerce ministry decisions are a part of these exercises.

Morocco gives power deal

GEC-Alsthom said yesterday that a consortium it *leads has* won a turnkey contract worth FFr3.6bn (£360m) for a power station in Morocco, AP-DJ reports from Paris.

The company, *a joint unit of* France's Cie Générale d'Electricité and General Electric Company of the UK, said the thermal power station could use coal, oil and natural gas *as fuels* and would be located at Jorf Lasfar, south of Casablanca.

The power station comprises two generating units, each with an output capacity of 330MW and is the first of a series of six identical power generating stations.

GEC-Alsthom said its partners in the contract are Babcock & Wilcox Espanola (Instituto Nacional de Industria), a Spanish unit of Babcock & Wilcox of the US, which is a unit of McDermott, as well as Dragados y Construccionnes, a Spanish construction group.

The company said the project would be financed jointly by France and Spain within the framework of bilateral financial protocols between Morocco and the *French and Spanish* governments.

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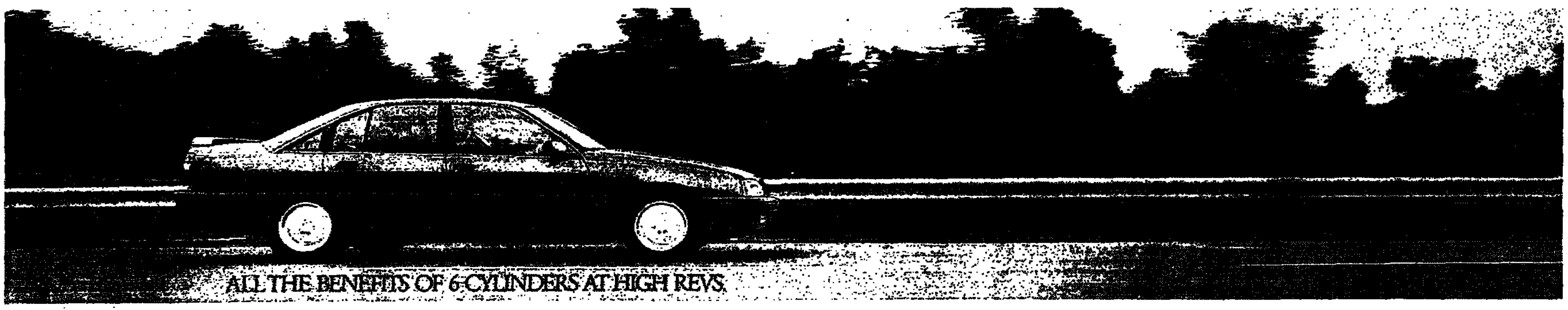

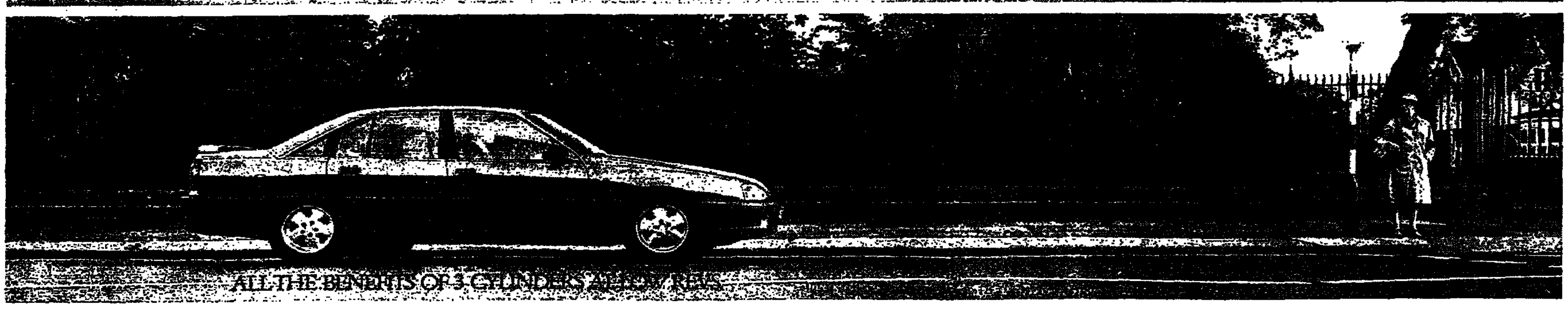

On the face of it, you'd think a six cylinder engine would be more powerful than a three cylinder engine.

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Which is why the new Vauxhall six cylinder engine divides into 2 three cylinder engines when it goes below 4000 rpm.

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This may seem rather complicated, but the benefits are perfectly straightforward.

It means that in the Carlton GSi 3000 24 valve, you have a car capable of 149 mph on the Autobahn.

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In either case with astonishing smoothness.

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At over £24,000, the Carlton GSi 3000 24v is one of the most expensive cars we've ever made.

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Accounting standards body makes final reports

By David Waller

THE Accounting Standards Committee yesterday celebrated the end of its 20 years as arbiter of financial reporting in the UK by publishing two new exposure drafts.

At the same time it virtually admitted defeat on its draft rules on accounting for goodwill – the difference between the price paid for a company and its net tangible assets, subject to a so-called fair value adjustment.

The first of the new exposure drafts, ED 53, is designed to curb accounting abuses which arise after companies make acquisitions. It spells out precisely how companies should make their fair value adjustments and under what circumstances they ought to be able to set up reorganisation provisions – a controversial practice.

The second, ED 54, would require companies to publish cash flow statements – spelling out precisely what cash has come in during the year, and where it has gone – rather than funds statements as at present. "Funds" encompass stock and debtors and the picture can sometimes be confused.

These recommendations demonstrate the productivity of the ASC in the months before it is replaced at the end of July by the Financial Reporting Council, a new standards-setting body with far greater teeth than its predecessor. The ASC has spent its twilight months busily producing exposure drafts, none more controversial than ED47 on accounting for goodwill.

Mr Michael Renshall, the ASC's chairman, disclosed yesterday that the response to the goodwill proposals – which urged that goodwill should be written off against profits rather than reserves – was overwhelmingly negative. Of the 100 or so formal responses received to date, only a handful expressed approval for the ASC's recommendations.

National Union of Mineworkers faces fraud investigation over use of donations

NUM officials (left to right) Henry Richardson, Gordon Butler, George Reece and Idwal Morgan flank their legal advisor Bruce Brodie (centre) in London yesterday as he announces the next stage in the union's legal campaign

Soviet claims lead to union inquiry

By Michael Smith and Robert Rice

A COMPLAINT by a Soviet miners' leader about the financial affairs of the National Union of Mineworkers has initiated Fraud Squad inquiries, it was disclosed yesterday. At the same time, the High Court in London agreed to suspend for three months legal action brought by the union against Mr Arthur Scargill, its president.

At the High Court it also emerged the NUM is pressing the International Miners' Organisation to return or account for at least £3m which it believes belongs to the union.

The NUM, represented by Henry Richardson, Mr Gordon Butler, Mr George Reece and Mr Idwal Morgan – a four-man team of officials from the national executive – maintains that the money, which has been frozen in bank accounts in Dublin and Geneva since last week, was donated by Soviet and Eastern bloc miners during the pit strike for the sole use of British miners. The IMO and Mr Scargill say the money belongs to the IMO and was intended for miners' unions across the world.

The complaint by the Soviet miner is one of two being investigated by the Fraud Squad about alleged financial irregularities at the NUM. The Fraud Squad said it had asked police officers to interview the complainants before deciding whether to launch a full investigation.

It would not reveal the identities of the complainants. However, Soviet Labour Review, a weekly newsletter based in London, said Mr Sergei Massalovitch, a Soviet miner, wrote to the Fraud Squad two weeks ago about Mr Scargill's handling of £1.4m collected by eastern European unions during the 1984-85 pit strike.

Mr Massalovitch is a member of the Vorkuta city strike committee created as a breakaway from the state-run mining union last year. He made his allegation against Mr Scargill at the end of a visit to Britain during which time he visited the annual conference of the Union of Democratic Mineworkers, the rival to the NUM.

Mr Massalovitch said he was acting independently as a miner who had contributed a day's pay to the British miners. "I am very annoyed the money did not reach them. I want to find out what happened to that money."

In the High Court, the NUM's claim related to money which passed through the hands of four men – Mr Scargill, Mr Peter Heathfield, union secretary, Mr Alain Simon, IMO general secretary, and Mr Norman West, a Labour member of the European parliament – during the 1984-85 pits strike.

Mr Michael Briggs, for the NUM, said total monies and interest amounted to more than £3m, although a "substantial amount had been paid for the benefit of the NUM already." This is thought to amount to several hundred thousand pounds.

The largest amount is a £1.4m contribution by Soviet and other East European miners but a "substantial part consists of cash contributions to trusts run by Mr Scargill and Mr Heathfield."

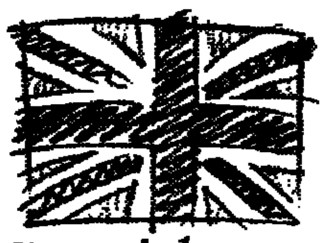
Mr Briggs said the NUM hoped the suspension would create the atmosphere for an out of court settlement following assurances from Mr Alain Simon, IMO general secretary, that he would not move the disputed funds and would provide a "full and frank interchange of information" with the NUM.

Prior to an IMO-NUM meeting in Paris on Tuesday Mr Simon had refused to offer any information about the money.

During the next few weeks four members of the 14-man NUM executive will visit Paris in an attempt to settle the dispute. Mr Henry Richardson, one of the four-man NUM committee co-ordinating the union's campaign to recover IMO money, said he was confident the issue could be resolved through negotiation.

Speaking yesterday outside NUM headquarters in Sheffield, Mr Scargill said: "We have done nothing wrong and we have nothing to hide."

BRITAIN IN BRIEF



Spanish boats given clearance

The House of Lords yesterday cleared the way for more than 50 Spanish-owned fishing vessels to resume fishing against the British quota.

The Lords granted a formal order to the Spanish owners of 53 named vessels restraining Mr Cecil Parkinson, the Transport Secretary from "withholding or withdrawing" their registration in the Register of British Fishing Vessels under the 1988 Merchant Shipping Regulations.

The order will remain in force until a final ruling by the European Court – not expected until early next year – on the Spaniards' legal challenge to new domicile and residence conditions introduced by the 1988 Regulations in a bid to protect the interests of the home fleet.

Loans to fund rail safety

British Rail will have to borrow the money it needs to pay for safety measures recommended by the Hidden Report into the Clapham Junction railway accident, the Government announced yesterday.

Mr Cecil Parkinson, Transport Secretary, said the BR's external financing limit – the total amount a nationalised industry is allowed to receive in grants and loans in a financial year – would rise from the £646m announced last November to £700m.

After taking into account a £38m overspend in the previous year and £10m worth of other adjustments, the decision means BR will be allowed to borrow £102m more than would otherwise have been possible.

100 face riot charges

More than 100 people may face charges, including murder and riot, in connection with the Strangeways prison riot within the next month said Chief Superintendent Arnold Beales, at a news conference in Manchester.

Exact charges are still under consideration but could include murder, conspiracy to murder and riot, grievous bodily harm, riot, arson and criminal damage, he said.

A prisoner and a prison officer died after the riot.

Mr Barron

New car sales likely to fall

This year's fall in UK new car sales is likely to be steeper than previously forecast because interest rate cuts have failed to materialise, a senior motor industry figure warned yesterday.

Mr Derek Barron, chairman of Ford of Britain and president of the Society of Motor Manufacturers and Traders, also said that the industry's profitability would be hit this year as a result of many millions of pounds being poured by manufacturers into incentives to prop up the flagging market.

But it was better to have such incentives, and keep production lines full, than for manufacturers "to descend into the very expensive world of horror" represented by production cutbacks and redundancies, Mr Barron told the Fleet Street Motoring Group.

UK shipping company sale

Furness Withy, the UK shipping company owned by the Tung shipping concern of Hong Kong, is to be bought by Hamburg-Süd, a West German shipping operation, for an undisclosed price. Hamburg-Sud said yesterday that it was holding detailed talks with Orient Overseas (International) to buy the company, which has interests in container, gas, and bulk cargo shipping.

Ulster talks effort delayed

Efforts by Mr Peter Brooke, the Ulster Secretary, to reach agreement on starting of all-party talks on the future of Northern Ireland have been put on ice until after the summer holiday period.

In a Commons written reply, Mr Brooke said: "After the holiday period, when all the main potential participants should again be available, I intend to resume my efforts to resolve the outstanding issues.

For that purpose I plan to hold further meetings with the political parties, and with representatives of the Irish government in September."

Mr Brooke

(Advertisement)

DAI-ICHI KANGYO BANK

DKB ECONOMIC REPORT

July 1990: Vol. 20, No. 7

Continuing Confidence in Economic Buoyancy in Japan

Japan's real gross national product (GNP) for the first quarter of 1990 registered a high growth of 2.5% from the previous quarter, or 10.4% on an annualized real-term basis.

The Japanese economy has since continued its expansion as can be seen from the prevailing optimistic business sentiment among companies. According to the Bank of Japan's "Tankan"—short-term economic survey of principal enterprises—conducted in May, the business outlook judgement indexes of both the manufacturing and non-manufacturing sectors showed only marginal differences from the preceding survey in February. There was a slight percentage drop in the number of companies reporting that their business outlook was favorable, despite the yen's further depreciation against the U.S. dollar and higher interest rates.

The diffusion index covering the views of major manufacturers on the supply/demand balance of finished goods showed a slight oversupply, while the index on their inventory levels indicated a slight excess in inventories. The changes in these indexes have been inconspicuous since last fall which can be interpreted as there being little concern for excess inventories (see table).

Business Outlook and Capital Investment Environment Remain Favorable

Survey year/month		89/2	5	8	11	90/2	5	9 (Forecast)
Business Outlook D.I.	Manufacturing	52	55	55	53	52	48	46
	Non-manufacturing	47	50	51	52	49	48	48
Supply/Demand Situation D.I.	Goods supply/demand	▲2	3	2	▲1	▲2	▲2	▲2
	Goods inventory level	▲1	▲5	▲5	1	2	4	3
Employment D.I.	Manufacturing	▲2	▲6	▲7	▲13	▲17	▲15	▲14
	Non-manufacturing	▲5	▲9	▲10	▲15	▲20	▲17	▲21
Year/month-end		89/3	6	9	12	90/3	6	9 (Forecast)
Liquidity Ratio (month)	Manufacturing	2.59	2.60	2.68	2.57	2.70	2.48	2.55
	Non-manufacturing	1.36	1.53	1.44	1.62	1.59	1.86	1.64
Fiscal year/Half year		89/First-half		89/Latter-half		90/First-half (Forecast)		90/Latter-half (Forecast)
Capital Investment Projection (all industries)		13.6		13.7 (17.5)		21.2 (15.8)		6.0 (▲0.3)

(Notes) 1. A diffusion index (D.I.) is the difference between the percentage share of the number of respondents choosing one of two situations minus those choosing to the contrary e.g. "favorable" minus "unfavorable," "excess" minus "insufficient" etc.
2. Business Outlook D.I. is "favorable" minus "unfavorable."
3. Goods supply/demand D.I. is "excess demand" minus "oversupply."
4. Goods inventory level D.I. is "excess inventory" minus "shortage."
5. Employment D.I. is "overemployment" minus "labor shortage."
6. Liquidity Ratio is (cash and deposits + short-term securities holdings)/monthly average sales.
7. Capital Investment Projections are year-to-year percentage changes. Financial Institutions are included. The figures in ( ) are those of the February Tankan survey.

(Source) Bank of Japan

Economic Expansion supported by Personal Consumption and Capital Investment

The sustained strength of the economy is being bolstered by strong consumer spending and private investment in plant and equipment.

The sales in large-scale retail stores in March–April posted a remarkable 5.8% (3.0% for real sales) year-to-year gain. Family income and expenditure survey shows that real consumption expenditures by workers' households have been recovering since the latter half of last year.

Consumer spending is likely to remain firm in the coming months. This is because the rates of increase in wages, agreed in the spring labor-management negotiations (Shunto), and summer bonus payments were higher than those in the previous year, added to the disappearance of the consumption tax effect on the price rises on year-to-year basis.

For capital expenditures, the May Tankan survey shows that "survival type" equipment investments such as further streamlining and labor-saving operations and new product development have been increasing. Moreover, investment projections for fiscal 1990 have been revised upward in almost all industrial sectors, indicating persistently positive investment intentions (table). In the background are the acute labor shortage and high liquidity levels of business corporations.

Underlying Inflation Rates Heading Upward

Amid the economic expansion, however, it is evident that inflationary pressure has been steadily mounting.

The average year-to-year rise of consumer prices in the center of Tokyo (within the 23 wards) in April–May was 2.8%, representing a slowdown from 3.5% in March. This resulted largely from the disappearance of the effect of the consumption tax. In comparison with the 1.5% rise in January–March 1989—before the enforcement of the consumption tax—the April–May rise represents a high growth although it is partly affected by a rise in fresh product prices. When the underlying inflation rate* is computed on year-to-year basis, the rate has risen by nearly 1 percentage point within one year.

There is therefore a risk of inflationary pressure weighing down the Japanese economy, although it is not clearly felt because of higher household income.

The increase in the underlying inflation rate will likely last for some time. This is because the severe labor shortage which, together with the tightening goods situation, is pushing up the current underlying inflation rate, seems to persist even if the tight supply/demand situation for goods were to ease. At the same time, demand growth for services, in which cost increases tend to be easily reflected in prices, is likely to resist slowing even under a tight monetary policy.

With the economic expansion continuing and concern over a rapid decline in the yen's value fading, the Japanese economy now appears to be in good shape. However, a vigilance should be maintained because the sustained strength of the economy may lead to a higher inflation rate.

* The "underlying" inflation rate represents the combined inflation rate of general goods (industrial products and publications accounting for approximately 40% of the price index) and services (excluding public services, accounting for about 40%).

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The next DKB monthly report will appear Aug. 24

MINISTRY OF INDUSTRIES, SCIENCE & TECHNOLOGY
GOVERNMENT OF SRI LANKA

Invitation for Purchase of Shares.

The Government's policy on people-isation of publicly owned enterprises involves the conversion of Public Corporations to Public Companies and the transfer of shares of the companies to the public. Ten percent of the shares will be reserved for the workers of the company. Where acquisition of technological expertise and export markets is considered important the Government will consider sale of a part of their remaining 90 percent of shares to local or foreign firms who possess the required expertise, and thereafter, the sale of the other shares to the public.

Established companies in the fields of manufacture of tyres, leather products, plywood and hardware are hereby invited to submit offers for purchase of a tranche of shares of the following Public Industrial Corporations which will be converted to Public Companies.

- Sri Lanka Tyre Corporation which operates a factory manufacturing vehicle tyres and tubes at Kelaniya.
- Ceylon Leather Products Corporation which operates three factories - a Tannery and a Shoe factory at Mattakkuliya and a Leather Goods factory at Ekala.
- Ceylon Plywoods Corporation which operates an integrated wood manufacturing complex at Salawa, Kosgama and a Plywood factory at Gintota.
- Ceylon State Hardware Corporation which operates a Hardware factory at Yakkala manufacturing agricultural implements, builder's hardware etc., and a Cast Iron Foundry (now closed) at Enderamulla.

Preference will be given to proposals with a definite commitment to future investment during the next five years. A prospective investor may make offers for the purchase of tranches of shares representing varying degrees of ownership. Proposals should be submitted under confidential cover together with the following documents:-

1. Company Profile
2. Audited Financial Statements for the last two years
3. Banker's Reference

For further particulars relating to the above enterprises and for appointments to visit the factories concerned, please contact the following:-

Mr. Vincent Pandita,
Consultant
Ministry of Industries Science & Technology
Tel: (941) 24751 Fax: 449402 CE Telex: 21248 MININD CE

Dr. D.A. Kotalawala
Chairman,
Sri Lanka Tyre Corporation,
Kelaniya, Sri Lanka.
Tel: (941) 521585
Telex: 21508 SLTC CE

Mr. H.R. Perera
Chairman,
Ceylon Leather Products Corporation,
141, Church Road,
Mattakkuliya, Colombo 15, Sri Lanka.
Tel: (941) 523702
Telex: 22210 CLPC CE

Mr. K.B. Dodangollegama
Chairman,
Ceylon Plywoods Corporation,
420, Bauddhaloka Mawatha,
Colombo 7, Sri Lanka.
Tel : (941) 694879
Telex: 21248 MININD CE

Mr. W. Premaratne
Chairman,
Ceylon State Hardware Corporation,
Yakkala, Sri Lanka.
Tel: (94)-33-2154
Telex: 21248 MININD CE

Proposals should be submitted in writing to the Secretary, Ministry of Industries, Science and Technology to reach him on or before Wednesday, 29th August, 1990. The left hand corner of the envelope should be marked with the name of the Corporation for which the offer is made. Separate offers should be made in respect of each Corporation.

Secretary
Ministry of Industries, Science & Technology.
P.O. Box 570,
48, Sri Jinaratana Road,
Colombo 2, Sri Lanka.

UK NEWS

Brown demands public inquiry into Rover sale

By Alison Smith

THE political row over the Government's financial dealings with British Aerospace over its purchase of Rover Group continued yesterday, as Mr Gordon Brown, the Labour Party's spokesman on trade and industry, demanded that the Prime Minister set up an independent public inquiry into the affair.

The revelation on Wednesday that a letter about future financial assistance to BAe after its acquisition of Rover had not been made available to the all-party trade and industry committee led to Opposition accusations of "an elaborate web of deceit" to keep Parliament in the dark. But the Government yesterday said that the letter had been made available to the National Audit Office, which reports to the Public Accounts Committee, the parliamentary watchdog.

The Department of Trade and Industry (DTI) said that the July 1988 letter from the DTI to Professor Roland Smith, BAe chairman, had not been passed to the trade and industry committee because it was not about the terms of the sale itself, and so had not been thought relevant to the committee's inquiry. In support of this view, the DTI said the European Commission had had access to the document and considered it did not have any bearing on the Rover purchase.

The letter said although the Government could not grant further state aid to Rover, this did not prevent BAe from seeking government financial assistance for its non-Rover Group businesses, and that any such application would be sympathetically considered.

Mr Brown said that the new revelations meant that the Government's handling of a range of contracts and deals, including the Royal Ordnance factories, telecommunications licences and Airbus contracts, should be investigated.

Linking the latest Rover disclosures with the possible sale of PowerGen to Hanson, and the number of former ministers being appointed to privatised companies, Mr Brown said "privatisation sleaze now engulfs the Government."

International textile trade should 'retain' regulations

By Lisa Wood, Labour Staff

THE international textile trade should continue to be regulated according to a report by the TUC, published today.

The TUC said it feared jobs in the UK would be lost of there was no replacement for the Multi Fibre Arrangement which runs out next year and whose future is currently being debated through the General Agreement on Tariffs and Trade (GATT).

Textiles and clothing remain and important sector in British manufacturing, despite the severe contraction of the industry in the early 1980s. The sector, the fifth largest in manufacturing, employs about 480,000 people.

Mr Peter Booth, a national officer at the TGWU, the largest union in the sector, commenting on the report said the UK Government was arguing for the phasing out of the MFA in six years time with a substantial weakening of it almost immediately.

The TUC's report said under the MFA the international textile trade was subject to agreed quotas aimed at preventing floods of imports from low cost countries. It said it believed that if the quota system was abandoned countries like the US would impose their own quotas and start an era of protectionism.

The European Community is the sector's most important trading partner. The report said the completion of the single European market by 1992 could have important implications for the MFA.

Welsh seek answering tone from Telecom

By Hugo Dixon

BRITISH Telecom's annual general meeting in Nottingham yesterday was disrupted in near-riotous scenes, as a group of about 150 Welsh shareholders tried to persuade the company to give greater prominence to the Welsh language in its dealings with its Welsh customers.

At one point, the meeting was stopped for ten minutes by slow hand-clapping, foot-stamping and shouts of "racist." This followed the refusal of Mr Iain Vallance, BT's chairman, to take a question from a Councillor from Gwyneth County Council on the grounds that too many questions about Wales had been asked. Some English shareholders showed their impatience with the Welsh by slow hand-clapping in return.

The meeting was resumed only after Mr Vallance promised to return to the Welsh councillor, Mr Dafydd Orwig, after taking a question from an English shareholder. The meeting finished with a group of Welsh shareholders singing the Welsh national anthem.

Another Welsh shareholder, a Mr Jones, complained that it was impossible for customers to deal with BT in the Welsh language, despite its stated bilingual policy. He said that all important information on BT's bills was in English. After several Welsh customers refused to pay their bills until they contained information in Welsh as well, they received letters in English telling them they would be cut off, he said. When he phoned BT to complain, nobody would speak to him in Welsh.

Although the protest over the Welsh language was the most prominent feature of the annual general meeting, shareholders aired gripes on other issues, in what was one of the most lively meetings of recent years.

A couple of shareholders criticised the 32 per cent increase in Mr Vallance's salary in the last financial year, while one compared BT's acquisitions in the US with the disastrous transatlantic forays of Midland Bank, Chloride and Ferranti.

THE GUINNESS TRIAL

Defendants at centre of 'disgraceful episode'

Court report by Raymond Hughes

THE GUINNESS takeover of Distillers in 1986 was "a shocking example of dishonest conduct", the jury at Southwark Crown Court was told yesterday.

The dishonest conduct, said Mr John Chadwick, QC, had been that of Mr Ernest Saunders, Mr Gerald Ronson, Mr Anthony Parnes and Sir Jack Lyons.

Winding up the prosecution's case, Mr Chadwick said the trial had shown how ambition and greed could cause men to behave dishonestly and dishonourably.

The case was not about minor breaches of technical rules relating to takeovers, he said. "Mr Saunders was so determined to win that bid that he made secret and illegal agreements to boost the Guinness share price, not caring about members of the public who might be cheated by his scheme."

Mr Ronson, chairman of the Heron group, had been "the eager recipient" of more than £5m obtained by the use of two false invoices which disguised the support he had given Guinness during the bid, Mr Chadwick said.

Mr Parnes had been prepared to act as the go-between for the powerful figures of Mr Ronson and Mr Ephraim Margulies, then head of the Berisford group, and Mr Saunders in the support operation which Mr Parnes, as a stockbroker, had known was illegal.

"He too was content to render false invoices and to be paid over £3m for his services in procuring illegal support."

Sir Jack Lyons, said Mr Chadwick, "was also prepared to behave in the same dishonest fashion, participating in the illegal support operation, rendering false invoices, lying and creating bogus documents. Again, he was only too happy to be paid over £3m."

Mr Chadwick concluded: "Members of the jury, it has been a disgraceful episode. These four defendants were at the centre of it."

Mr Saunders, former Guinness chairman and chief executive, Mr Ronson, Mr Parnes and Sir Jack Lyons deny charges arising from an allegedly unlawful share support operation mounted by Guinness during its 1986 takeover battle for Distillers. At the heart of the case are £25m of payments made by Guinness to supporters.

Mr Chadwick described Mr Saunders' claim that he was the victim of a conspiracy to set him up as a scapegoat as "a scenario as unbelievable as it is unlikely." He suggested part of the reason why Mr Parnes had received a "massive" £3.35m reward from Guinness "was because of the risk he ran by participating in the illegal share support operation."

The jury, Mr Chadwick said, had been told of Sir Jack Lyons' political lobbying on behalf of Guinness – and particularly about his letter to the Prime Minister urging that Guinness's revised bid should not be referred to the Monopolies and Mergers Commission.

But those, and Sir Jack's other activities, could not possibly justify his £3m fee, Mr Chadwick said.

He referred to the circumstances in which £3m of a £5.2m fee paid by Guinness, on Mr Saunders' authority, to Mr Tom Ward, a US lawyer and Guinness non-executive director, had passed through Mr Saunders' account at Union Bank of Switzerland in Zurich.

Referring to the purchase of 75,000 Guinness shares bought with Mr Saunders' Swiss funds, about which Mr Saunders denied having had any knowledge, Mr Chadwick suggested it was "another example of the deceit and subterfuge that characterises so much of this case."

Today Mr Richard Ferguson, QC, will begin his final speech on behalf of Mr Saunders.

Labour tries riding on a wave of optimism

Michael Cassell on the cheerful atmosphere filtering through the opposition party

CAN Britain's Opposition Labour Party continue to ride the wave of recent popularity to an election victory or will the wave crash in failure?

The question is playing on the minds of the party's MPs as they depart from Westminster this weekend to take a break before reassembling for the annual party conference in two months' time.

They have good reason to be cheerful as they confidently predict that Thatcherism is dead and that Mr Neil Kinnock, the party leader, will soon sweep up Downing Street in the bullet-proof Daimler. In private, however, the optimism is heavily qualified.

As one senior front-bencher put it this week: "Things are looking good but I rate our chances of a clear victory as no more than even. The odds, however, have been much, much worse".

Labour's opinion poll lead is now of less nightmarish proportions for the ruling Conservative Party but it remains a vital source of encouragement. The party's prolonged period of popularity lends weight to its belief that it is proving to be much more than a temporary beneficiary of the government's own shortcomings.

With the building blocks of its election manifesto now in place, Labour's private polling indicates that it has shed its fragmented, left-wing image and adopted a range of policies which appeal.

As always, it appears strongest on the social issues – most notably the handling of education and health – and is heartened by early evidence that its poll tax alternative could be a winner.

The party also appears to have made considerable progress in overturning a highly damaging image of economic incompetence and in convincing voters that it can be trusted with the economy, the issue likely to determine the outcome of the next election.

The economy in particular will figure prominently in the both parties' summer offensives. Labour will drive home allegations of economic mismanagement while the Government will try to prove that the opposition will have to raise taxes or borrow more – or both – in order to fulfil implicit and explicit commitments.

Mr Jack Cunningham, the party's campaign co-ordinator, yesterday rejected the idea that Labour had peaked too soon and that its lead could disappear in the remaining pre-election period.

Mr Kinnock: preparing for a smooth ride to power

But the leadership knows only too well that Labour's healthy position cannot be taken for granted. If their opinion poll lead can halve in three months, where could it be in two years time?

Mr Neil Kinnock, the Labour leader, still maintains that Mrs Thatcher may go for an election in late spring or summer next year. Every utterance from the Treasury makes that prospect increasingly less likely, though the Labour leader continues to raise the possibility as he seeks to keep his party on a war footing.

The next, critical steps in maintaining the momentum will come at the autumn conference. Mr Kinnock intends that it should again provide a picture of public unity and another shop window for its new policies. There should be few problems, though arguments about the extent of defence cuts could offer a rare display of dissension.

There are those within the leadership who believe that while the voters are now clear about what Labour has abandoned, they remain unsure about what the party now stands for.

Some of Mr Kinnock's colleagues are now calling on him to use the months ahead not just to spell out policy but to identify and more clearly articulate Labour's vision for the future. Without some inspirational ingredients, they claim, the democratic socialist cake will prove pretty bland.

Others believe the party is being too timid, too content to rely on the Government to arrange its own undoing. Why, they ask, should Labour appear cautious, for example, on public spending? Why not state the case for higher expenditure in a range of areas and, without apology, bang the drum for more borrowing.

Europe is cited as another area where the party should offer a clear lead. With entry into the exchange rate mechanism of the European Monetary System unlikely to be left to Labour, there are those in the leadership who believe the party should rapidly firm up its own strategy for subsequent stages of economic, monetary and political union.

On Europe, as with every other issue, they insist that it will not be enough just to knock the Government.

UK NEWS

Blackpool's attraction full of eastern promise

Tim Burt visits a seaside town drawing an increasing number of visitors from overseas

BLACKPOOL, Britain's richest seaside town, has this summer launched a bid to shake off its image as a working class holiday resort with a campaign aimed at a wealthy overseas market – the Middle East.

The borough council is fighting to change Blackpool's reputation for holidaymakers in knotted handkerchiefs and rolled-up trousers by becoming the first British tourist destination to be actively marketed in the oil-rich Gulf states.

Tourists from the Middle East have long been coveted in the world's top holiday resorts. Their reputation as big spenders stretches from Aspen to Cannes, and now private jets from Oman and Dubai are flying regularly to the Lancashire resort known for its amusement arcades and rollercoasters.

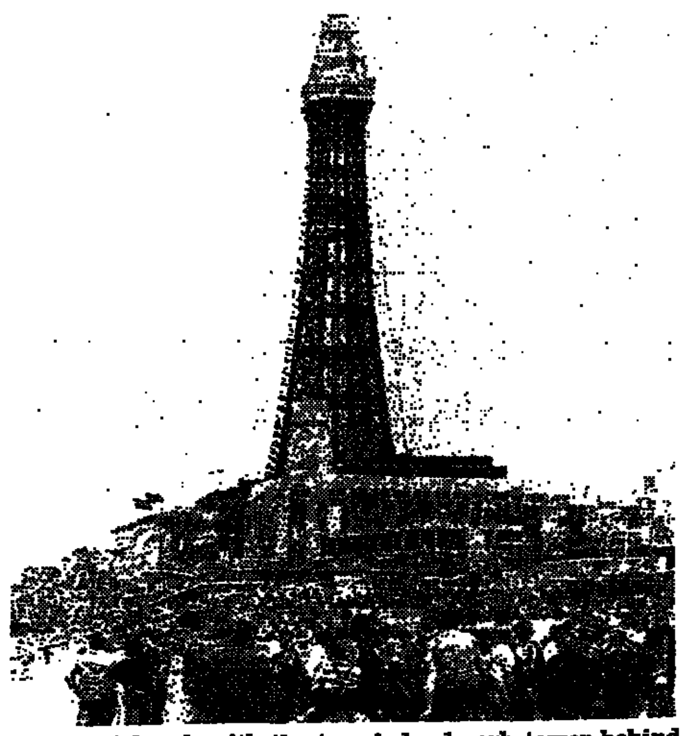
Mr John Hall, deputy director of tourism at Blackpool, says Blackpool joined the list of holiday destinations favoured by Arab tourists after several Gulf governments decided to invest in Tornado jet fighters produced by British Aerospace at Warton, a few miles from the city.

The importance of Gulf visitors to Blackpool has been highlighted this summer by the Blackpool Rock Company's decision to produce its first batch of rock with Blackpool written through it in Arabic. A brochure for Arab customers with the photographs of women in bikinis and drinkers on the promenade removed is being reprinted this month to meet extra demand.

Even the Arabs, however, do not spend as much money in Blackpool as visitors from the Republic of Ireland. More than 200,000 Irish citizens visited the resort last year, reversing a downturn in family holidays. The Irish have also boosted the local retail trade by taking advantage of exchange rates to buy white goods such as microwaves and televisions while they are on holiday.

More than £400m is being spent on updating hotels and new tourist developments such as a £45m golf complex planned by Amec, the British construction company.

The biggest investment *planned in Blackpool has little* to do with entertainment, hotel facilities or transport links.



Blackpool beach with the town's landmark tower behind

The beach, lined with amusement arcades and fast food outlets, has been branded unclean by the European Community which has threatened to prosecute Britain over the beaches at Blackpool, Southport and Formby, which are badly affected by sewage pumped into the Irish Sea.

North West Water, the regional water authority, is to spend £150m on new inland sewage treatment plants in place of pipelines into the sea, which should win Blackpool a "Blue Flag" for an environment-friendly coastline by the mid-1990s.

Mr Hall says the sewage problem is the most serious threat to the resort's future. "Pollution is going to damage *us if we do not get a proper* sewage system, and we hope the Government will help us get it in place as soon as possible," he says.

However, according to a NOP poll conducted last year, more than half of Blackpool's 8m visitors "considered the beach not important at all."

The statistics have persuaded developers to invest more than £90m in new leisure facilities at Pleasure Beach and Coral Island. Shopping centres such as the Tower Shopping centre and Ocean Boulevard – labelled the "Covent Garden of the North" – have attracted investment worth more than £20m.

The city, which already attracts more visitors than Greece and offers more hotel accommodation than Portugal, *supplements tourist income* with a lucrative conference trade with more than £30m a year.

Demand for accommodation could soon outstrip supply according to Mr Ray Lawrence, president of the Blackpool Hotels Association. He fears small family-run hotels could be forced out of business by the double burden of the poll tax and the new business rate.

The tourists, meanwhile, are packing the pier shows and amusement arcades this summer. Mr Hall thinks Blackpool has survived the threat posed by cheap foreign holidays and will generate record profits in the 1990s. "We earned £305m in 1987 and £[illegible]m last year. People think the 1940s was our heyday. It is not, our heyday is now."

Rivers authority proposes new regulations against pollutants

By John Hunt, Environment Correspondent

TOUGH NEW anti-pollution proposals for privatised water companies and industry generally were announced yesterday in a report from the National Rivers Authority which regulates the quality of rivers, lakes, estuaries and coastal waters.

Companies would face higher costs to meet the new requirements which are being put out for three months consultation. But the NRA says that costs can be kept down if industry operates efficient environmental policies.

The main proposal will introduce a stricter regime for discharges from the sewage plants which were operated by the old water authorities and have been inherited by the privatised water companies.

In recent years they have been expected to comply with legal limits for 95 per cent of their discharges taken over a year. This loose system has been strongly by the "green" movement as a potential "licence to pollute."

The NRA proposes that this system should be scrapped. It says the method has major shortcomings and lent a "spurious objectivity" to pollution monitoring. There was a widespread belief that compliance for most of the time was acceptable.

It now wants a system of absolute limits for the discharge of damaging substance. This means that an inspector from the NRA could take spot samples and prosecute immediately if limits are broken.

Minister warns of need to co-operate over beaches

By Tim Burt

MR David Trippier, the environment and countryside minister, yesterday warned local politicians from Britain's north west coastal towns that they must co-operate with water authorities in an effort to clean up the region's beaches.

The region has been criticised for polluting the Irish Sea by the European Community, which has threatened to prosecute Britain over the state of its beaches.

Mr Trippier said local authorities around Blackpool, Britain's largest holiday resort, must reach agreement with the North West Water authority over the siting of a £150m land-based sewage disposal site following the Government's decision to end dumping at sea.

The minister met councillors and MPs from north-west constituencies in London to discuss the pace of the clean up following indications from Brussels that the EC would drop its prosecution threat if the British Government showed it was committed to improving its coastal environment.

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FINANCIAL TIMES SURVEY

TUNISIA

Friday July 27 1990

In spite of bad harvests over the past two years and a devastating plague of locusts in 1988, Tunisia is making a slow recovery. **Francis Ghilès** analyses the problems faced by the methodical President Ben Ali as he attempts to modernise the economy

Slov reform fron above

WHEN Mr Zine (Abidine Ben Ali succeeded the ailing and increasingly erratic Mr Habib Bourguiba as President in November 1987 the consideration he displays towards the founder of modern Tunisia, who lives freely in his home town of Monastir, was hailed throughout the western and Arab worlds. Power seldom changes hands in so elegant a fashion amongst Arabs.

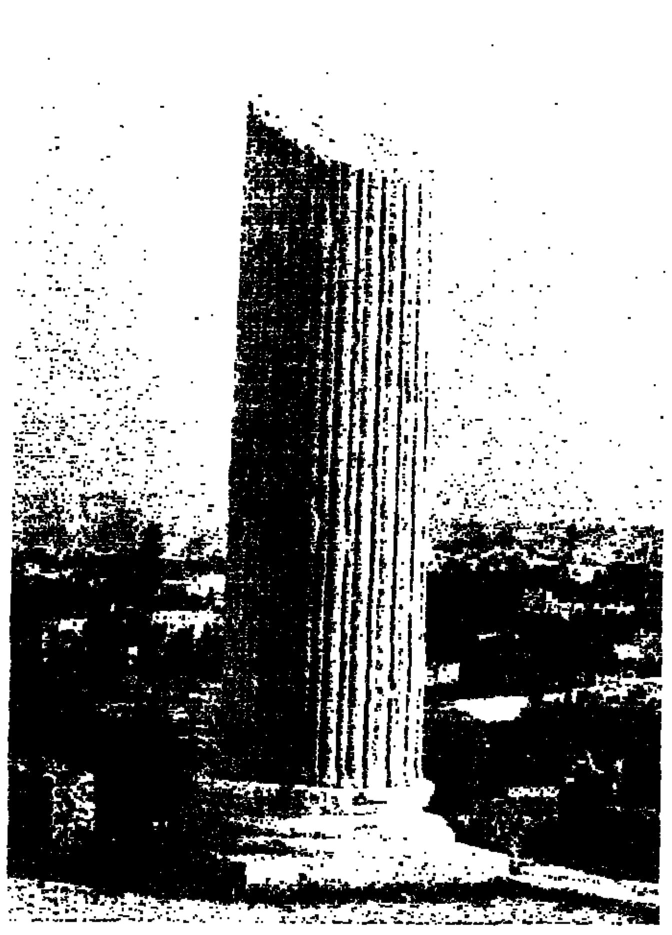
The wide-ranging amnesty proclaimed by the new head of state and the dialogue he sought to create with those parties who opposed the Destour Socialist Party (PSD), which had held a monopoly of power since independence in 1957, gave rise to great hopes.

Tunisia is not one of the great powers of the Middle East, yet its backing of a dialogue between Israel and the Palestinians a quarter of a century ago, and the bold moves made by its leaders to secularise society and grant rights to women, single it out.

It was probably inevitable that, nearly three years after Mr Ben Ali's takeover, many Tunisians would be disappointed. As befits a former head of internal security, Mr Ben Ali is cautious, rather shy man in sharp contrast to his predecessor, who was a great orator and loved the histrionics afforded by public platforms. The second president is far more retiring, seldom leaves the palace in Carthage and lacks the charismatic qualities of leadership so keenly sought in the Middle East. But he works methodically and is a hard taskmaster for the many bright technocrats he has appointed to key posts.

Reforming the Tunisian economy, with its many inefficient and grossly overstaffed parastatal companies, and changing the working habits of a bureaucracy which has inherited all the bad habits of its erstwhile Ottoman and French rulers, are the first challenges the president faces. In spite of the bad harvests of the past two years and the worst plague of locusts in 30 years in 1988, Tunisia has pursued the reform programme worked out with the International Monetary Fund and the World Bank in 1986.

By acting early, Tunisia avoided having to reschedule its external debt. The central bank is pursuing a deliberate policy of pushing up the proportion of long-term credits. The debt service ratio, as a percentage of exports of goods and services, was 29.7 per cent at the end of last year, a far more comfortable level than in many of the country's African and Arab neighbours. Hard currency reserves have been rebuilt and now cover 2½ months worth of imports.



Tuyet Cheikh-Rouhou

Carthage: tourism is a pillar of the Tunisian economy

Bizerta: new apartment blocks are spoiling this old seaport

The trade deficit grew last year by 23 per cent to TD1.36bn under the impact of the high volume and cost of imported cereals made necessary by the drought, and a surge in purchases of machinery by Tunisian industrialists, who are investing in more new projects than at any time since 1986.

Exports, however, grew by 29 per cent and are steadily becoming more diversified, even if 70 per cent of them still go to the EC countries, which account for three quarters of Tunisia's trade. The current account deficit amounted to TD340m and debt principal repayments to TD850m.

The second challenge Mr Ben Ali faces is how to handle the country's militant Islamic fundamentalists. When they contested the general elections 15 months ago as "independent" candidates, the fundamentalists polled 13 per cent of the vote overall, but up to a quarter of the vote in constituencies where these candidates actually stood.

The President strongly maintains the view he expressed last year – that he will "never license a party that presents something other than a civil model of society". He argues that the fundamentalist Nahda (Renaissance) party does not offer a programme.

The Nahda newspaper "Al-Fajr" (The Dawn) was suspended last month when it published an article signed by its leader, Mr Rached Ghannouchi, which dismissed the head of state as being a *munafiq*, a reference to those in Medina who pretended to be Moslems but in fact bitterly opposed the Prophet Mohammed. The acerbic comments of Mr Ghannouchi, who lives abroad, contrast sharply to the honeyed words of Nahda spokesmen in Tunisia.

Nor will the hate campaign conducted by Nahda against the Minister of Education, Mr Mohammed Charfi, a long-standing human rights campaigner, help convince those Tunisians who are anxious to bring about a more open society and are critical of the slow pace of reform that legalising the fundamentalist party would help the cause of democracy in North Africa's smallest country.

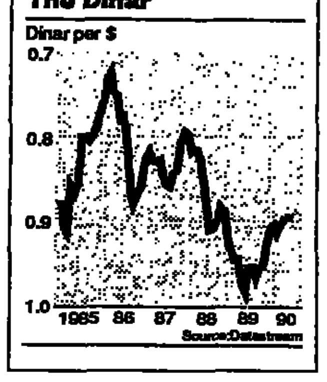
But the Nahda party, whose leadership includes many intellectuals, has little difficulty in finding recruits, if only because one quarter of the work force is unemployed and the lifestyle of the wealthy is so ostentatious. The lack of real media freedom and the persistence of corrupt practices do not help. In a broader sense, Tunisia is suffering from the same crisis of identity which is sweeping other Moslem countries.

The president has not been helped, either, by the decision of all the other opposition parties to boycott the local elections which took place last month. Reforming the ruling Rassemblement Constitutionel Democratique (RCD), the new name adopted by the PSD in 1988, is proving a slow business. The interests of its members often remain difficult to distinguish from those of the state, while many Tunisians suspect some of its leaders of harbouring little love for the more reformist-minded men promoted by Mr Ben Ali. The president remains the leader of the PSD, which inevitably erodes his standing as referee. His choice of Prime Minister, Mr Hamed Karoui, who is little more than a figurehead, and the lack of any real political heavyweights in the government, means that power remains very much vested in the presidency.

In order to progress to the next stage of economic reforms, Mr Ben Ali will have to find ways of mobilising more grassroots support. The absence of competition in domestic markets, the underdeveloped nature of financial markets (which is largely due to the fact that so much of individual savings are tied up in real estate), the lack of serious audits of state-owned and privately-owned Tunisian banks and companies, and the absence of a land registry – all these are challenges which Mr Ben Ali does not underestimate. He is modest enough to say that he has not achieved more than one or two per cent of what he set out to accomplish. External factors are not helping him. Algeria's plunge into free elections, with the resulting victory of the Islamic Salvation Front and the virtual collapse of the Ruling Front de Liberation National make it extraordinarily difficult for Tunisia to steer a middle course. The mercurial nature of the Libyan leader make serious long-term co-operation with Tripoli virtually impossible. Meanwhile the opening up of eastern Europe makes Tunisians deeply anxious.

The question remains as to how much time the president has to implement gradual reform from above particularly at a time when many Tunisians appear disenchanted. What is not in doubt is that the caution displayed by Mr Ben Ali reflects, and up to now has well suited, the characters of the descendants of Carthage.

The Dinar



Victor Mallet discusses foreign relations

Diplomatic realignments

THESE ARE trying times for Tunisian diplomats. The drive for improved relations with other Arab states undertaken by President Zine El Abidine Ben Ali since 1987 has begun to give way to a defensive unease about developments in Algeria and Libya, Tunisia's powerful and oil-laden neighbours.

In such circumstances, it is hardly surprising that Tunisia, North Africa's smallest country, has embarked on the latest of a long series of delicate diplomatic realignments, focusing attention once again on its western friends in America and Europe to counterbalance the uncertain loyalties of the Arab hinterland.

Hence President Ben Ali's recent trips to the US and Italy and his planned visit to Germany. Yet, just as Tunisian officials are expressing concern about the risk of Islamic fundamentalism in Algeria and the unpredictable leadership of Colonel Mummer Gadaffi in Libya, they perceive simultaneous and equally disturbing changes in Europe.

President Ben Ali: drive for improved relations with other Arab states

There is a widespread fear that the Moslem fundamentalist 'infection' will spread

With the approach of the single European market in 1992, Tunisians believe, the European Community is holding out a welcoming hand to the newly democratic states of eastern Europe and the non-EC countries of the European Free Trade Area, while all but ignoring its trading partners on the southern and eastern shores of the Mediterranean. Europe, in short, is turning in on itself and America is far away.

The Tunisian government feels it can ill afford to be relegated to the periphery of European consciousness. It needs money to help reform the economy and confront the challenge of Islamic fundamentalism from a position of economic strength.

Although Mr Ben Ali's ruling party is considerably more robust than its Algerian counterpart, there is a widespread fear among the Tunisian bourgeoisie that the fundamentalist "infection" will spread across North Africa after the victory of the Islamic Salvation Front in last month's Algerian local elections.

The rest of the Arab world has little to offer in the way of comfort and its traditional rulers remain wary of the military background of leaders like President Ben Ali, a general. One of his first acts of foreign policy, after taking power in 1987, was to visit Mecca and pay a visit to King Fahd of Saudi Arabia; but the kingdom is thought to give financial support to the Nahda (Renaissance) movement, the Tunisian Islamic group, and King Fahd has warmly received its leader Mr Rached Ghannouchi.

The enthusiasm among the other Gulf states for investment in Tunisia has waned, and the Arab League is returning home to Cairo following Egypt's diplomatic rehabilitation, leaving a palatial headquarters building – still under construction – to the handful of specialised Arab League agencies which will remain in Tunis.

As for Libya, relations are not exceptionally bad compared with what was nearly a state of war in 1985; but nor are they particularly easy when set against the euphoria of rapprochement in 1988. The idiosyncratic Col Gadaffi has recently become more interested in his new-found relationship with Egypt than in ties with Tunisia, and the Libyan leadership is so unstructured that the Tunisians have a hard time finding anyone to put their various bilateral agreements into practice.

The great boom for the merchants of Sfax is over – Tunisian officials say that 55 per cent of the Libyan population has crossed the border, mostly for shopping, in the last two years – but the trade continues at a lower level. A joint exploration company has been established to look for offshore oil and gas (although it has been slow to get moving), and Libya has restored frozen Tunisian assets, compensated many of the 30,000 expelled Tunisian workers, and allowed such workers in again.

In 1989, North African leaders established the Arab Maghreb Union (AMU), an attempt to co-opt Libya, promote economic co-operation and present a united front to Europe. The AMU, consisting of Algeria, Libya, Mauritania, Morocco and Tunisia, has yet to prove its worth – indeed, those travellers able to take advantage of special airport immigration facilities for Maghreb passport holders are said to be treated with more suspicion than any other category – but there is no doubting the importance of the European issue.

Tunisia conducts three quarters of its trade with the EC and officially accounts for some 400,000 of the 5m Maghreb migrant workers in Europe. It has a special affinity with France, the former colonial power, and close ties with nearby Italy, not to mention an important economic relationship with Germany and an increasing interest in Britain. Tunisia looks north for much of its culture, and the satellite dishes of Tunis pick up a range of European television channels. Tunisians fear that this European relationship, instead of being strengthened, is now threatened.

European countries are introducing visa requirements to keep out unwanted North Africans, instead of investing more money in the Maghreb to make its economies viable and increase local employment

Wrangling continues over trade access for Maghreb goods to Europe, and by the end of this year Tunisia will have to renegotiate preferential tariffs for its olive-oil exports and ensure free access for its textiles in the face of opposition from Portugal.

The country has a special affinity with France and close ties with Italy

European countries are introducing visa requirements to keep out unwanted North Africans, instead of investing more money in the Maghreb to make its economies viable and increase local employment, Tunisian officials say; while European politicians, notably the French extremist Mr Jean-Marie le Pen, have fuelled the fires of anti-Arab racial feeling, instead of emphasising the culture the two sides have in common.

"Some of the Maghreb countries are more integrated with Europe than some of the countries *in* Europe," says one senior Tunisian official. "Yet one feels on a slippery slope, with talk of 'boat people' and apocalyptic fears about the southern Mediterranean instead of the east bloc ... There is a risk of a 'spirit of the crusades' between Europe and the Maghreb."

Both the EC Commission and the Tunisian foreign ministry have drawn up a range of proposals – focusing on EC financial assistance – for reinforcing the vital EC-Maghreb relationship; but implementation seems considerably more urgent from Tunis, which is looking anxiously at its unpredictable neighbours, than it does from Brussels.

Victor Mallet examines the country's small manufacturing sector

Fragile export success story

TUNISIA IS neither rich nor poor, and its industry neither disastrous nor dynamic. Poised somewhere between the advantages of cheap labour and the benefits of modern technology, the country has chosen to expand its economy by exporting more manufactured goods.

Whatever doubts exist in the minds of businessmen about the Government's ability to meet such a challenge over the next decade, there is no dispute about the need for diversification. Tunisian foreign exchange earnings depend heavily on revenues from tourism, remittances from Tunisians working abroad, and diminishing oil reserves.

In a manufacturing sector otherwise dominated by the state, textiles and leather goods are Tunisia's export success stories. With a few hundred thousand dollars in capital, a foreign entrepreneur can begin making jeans or shirts on Europe's doorstep in a country where wages start at $130 a month.

It is, however, a fragile sort of success. Just as Tunisia's competitive labour costs have lured shoe-leather business from Italy, so might countries such as Egypt, with even lower wages, take away its textile workshops in the future.

Government officials and private industrialists are therefore casting around for other ideas in engineering, electronics, agro-industry and services – medium technology activities, which high costs may squeeze out of Europe. Tunisia already boasts a small vehicle-components industry for items such as shock absorbers, electrical circuits and filters for air, fuel and oil.

Services from architecture to computer programming are regarded as particularly attractive, because the labour cost differentials between the West and Tunisia are even higher for skilled than for manual workers. A small number of energetic local businessmen have carved niches for themselves in activities ranging from word processing to cartography for foreign clients.

"In the United States you pay $120,000 to $300,000 for a good software engineer, but here it's $20,000 to $30,000," says one entrepreneur. "I count on that difference to export."

The thrust of government policy is to move Tunisia one more rung up the ladder of development, so that the country can take over some labour-intensive industry from Europe while leaving the sweatshops to countries lower down the ladder.

Businessmen, however, are sceptical about the Government's ability to deliver. They fear that it lacks the sort of vision of the future which gave Tunisia the tourism and textile successes it has today. "There will be nothing to export in 10 years if we don't develop new technology manufacturing industries now," says one leading businessman.

Few industrialists question the effectiveness of Tunisian export incentives or complain about the tax burden following the economic reforms which began in 1986, but they have serious reservations about the quality of Tunisian labour in manufacturing and the efficiency of the bureaucracy.

There appears to be universal agreement among Tunisians and their foreign trading partners that the education and training system is in urgent need of an overhaul. Economic skills, particularly at the intermediate levels, are in short supply. Despite paying substantially higher wages than the state, the private sector is hard-pushed to find quality secretaries, welders and junior managers.

Moreover, Tunisia's long tradition of trade unionism and its strict labour laws make it particularly difficult to hire and fire workers. Managers complain that industrial quality-control is often poor, and that they have only been able to compensate for falling labour productivity by increased capital spending on machinery. Banks are said to be reluctant to take risks, while the volume of paperwork demanded by the state, although somewhat reduced, still acts as a brake on industrial growth.

The state does not merely control the economy through the civil service. It still owns most of the country's heavy industry, and has inevitably been more reluctant than the private sector to tackle the delicate issue of overstaffing. A privatisation programme is under way, and the state has already sold hotels, textile firms and other small manufacturing companies, with larger units such as cement factories expected to follow.

But it has not always been an enthusiastic disengagement – one Tunisian complains that the state is still selling nails and screws when a private entrepreneur could take over the business for a few thousand dollars – and the local buyers are usually the existing business elite.

The other buyers are foreign investors, and on this front the Government has reason to be encouraged after years of stagnation. Tunisia is a small market of some 8m people, and import substitution is largely complete; but there are already about 600 companies producing in Tunisia purely for export, 40 per cent of them foreign-owned and a quarter of them joint ventures. Such companies benefit from the liberalisation of imports and the "free zone" status accorded to export-only operations.

The Industrial Promotion Agency points to an upsurge in investment interest from domestic and foreign companies in 1989, principally in the textile and shoe industries. In the meantime, the General Motors vehicle assembly joint venture in Kairouan (initially for the domestic market) is expected to open soon after several years of official delays.

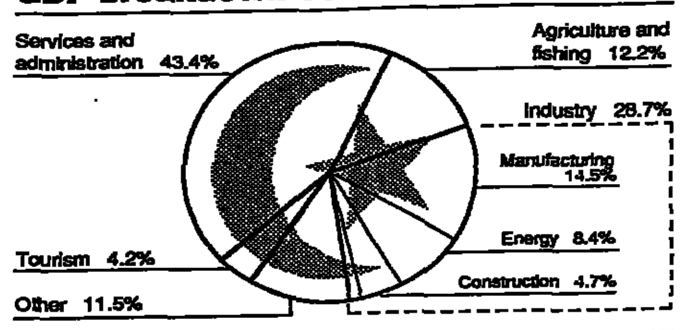
Whether all this will allow Tunisia to compete effectively with countries such as Turkey and Portugal – which it regards as its natural economic rivals in southern Europe – remains to be seen. Accustomed to the French tradition of infrastructural investment and economic guidance by the state, even the most entrepreneurial Tunisians are looking to the Government to lead the way to Tunisia's industrial future.

Investment proposals for Tunisian Industry, 1988/1989

Sectors	Number of projects 1988	Number of projects 1989	Investments in TDm 1988	Investments in TDm 1989	Jobs 1988	Jobs 1989
Miscellaneous	300	465	57.9	86.1	3,688	4,704
Agro-industry	367	554	89.7	139.4	4,680	6,622
Construction, ceramics, glass	154	228	43.2	86.8	2,063	2,789
Mechanical/electrical	292	403	84.0	119.0	4,875	5,693
Chemical	164	206	36.1	95.7	1,809	1,862
Textiles/shoes	912	1,560	158.6	250.4	29,570	48,914
Total	2,189	3,416	469.5	777.4	46,685	70,584

Source: Industrial Promotion Agency

GDP breakdown 1989



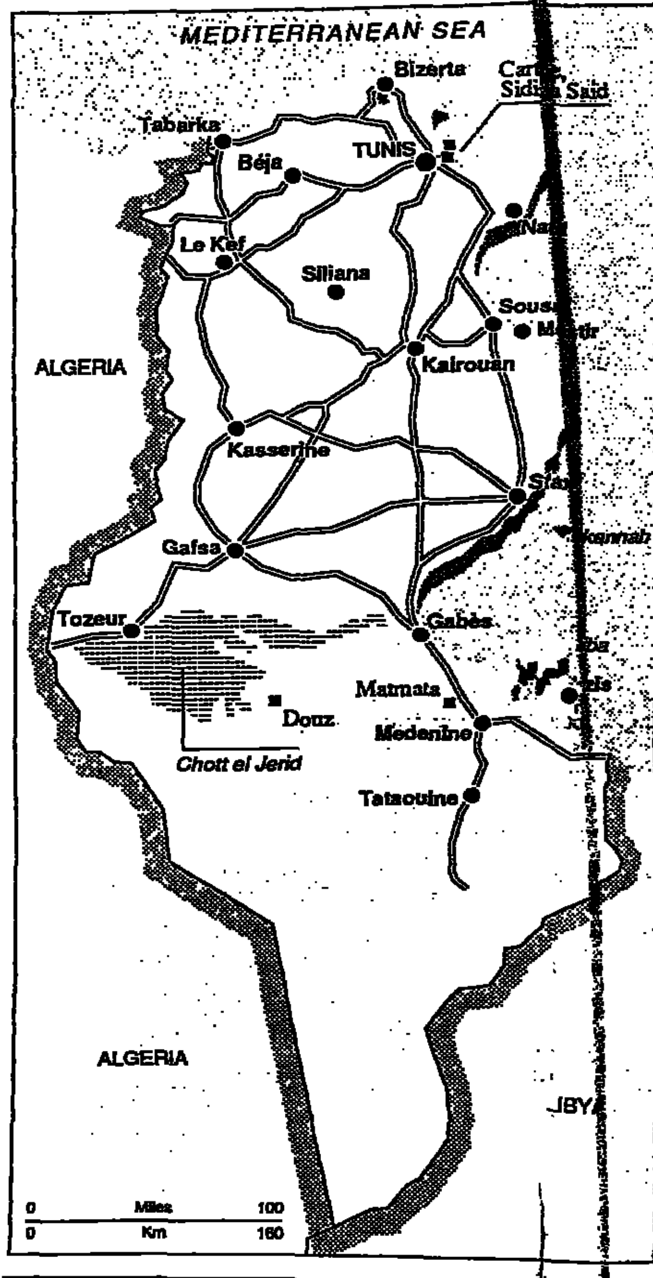
KEY FACTS

Area	164,150 sq km
Population	1988 7.79m, 198[illegible].97m (estimates)
Head of state	President Zine[illegible] Abidine Ben Ali
Currency	Dinar (TD)
Average exchange rate	[illegible]8 $1 = TD0.858
	[illegible]9 $1 = TD0.949

ECONOMY	1988	1989
Total GDP ($bn)	[illegible]0.03	10.07
Real GDP growth (%)	1.5	3.5
GDP per capita ($)	[illegible]288	1263
Current account balance ($m)	97	-329
Exports ($m)	[illegible]399	2873
Imports ($m)	[illegible]489	4498
Trade balance ($m)	[illegible]090	-1625
*Trade dependency**	[illegible]5%	90.2%
Main trading partners (% of total value)		
Exports		
France	[illegible]5.4	24.6
Italy	[illegible]8.6	18.7
West Germany	[illegible]3.8	12.9
Imports		
France	[illegible]4.8	26.4
Italy	[illegible].3	13.7
West Germany	[illegible].6	11.7
Main exports (% of total)		
Textiles	[illegible].9	29.2
Petroleum products	[illegible].1	20
Phosphates & fertilisers	[illegible].8	19.2
Main imports (% of total)		
Textiles	[illegible]0	n.a.
Machinery	[illegible]7	n.a.
Total foreign debt ($m)	[illegible]3	7194
Foreign debt as % of GDP	[illegible]	55.5
Debt per capita ($)	[illegible]	902
Debt service ratio (%)	[illegible]	22.4
Consumer prices (% change pa)	[illegible]	7.3
Total reserves minus gold ($m)	8[illegible]	961.9

* Exports plus imports as % of GDP

Source: IMF, Datastream, Economist Intelligence Unit



Francis Ghilès investigates the flourishing informal economy

An unofficial safety valve


Jasmine-seller

THE INFORMAL sector of the Tunisian economy is flourishing. A visitor has only to compare the number of building sites with official statistics of new housing units, to realise that official figures do insufficient justice to the ingenuity of the average Tunisian who, whether or not his declared income allows him to do so, is extending or building his house.

Since 1986, when a balance of payments crisis due to the decline in the price of oil and state overspending forced Tunisia to restructure its economy, the purchasing power of the majority of 7.5m Tunisians has declined by about 20 per cent.

There have been no serious social disturbances, however, and this cannot simply be due to the *etat de grace* President Zine El Abidine Ben Ali has enjoyed since he came to power in November 1987.

The informal, unregulated sector of the economy is an important generator of household income. It also offers a safety valve when economic times are hard. The food vendors using pushcarts, housewives subcontracting to the textile industry, and small factories making better quality bricks at a fraction of the cost of more modern units and without any subsidised loans – all these are informal.

At a micro-economic level, the employer does not have to pay tax, social security or a minimum wage. He can shed labour when the going gets rough. On the macro-economic level, competitive capital and labour markets ensure low costs in contrast to the "modern" sector where capital is subsidised and labour submitted to heavy payroll taxes. Government projects in Tunisia have tended to encourage capital intensive undertakings, whereas the informal economy is a result of people responding to the failures of the state by creating their own economy.

It is possible that as much as one quarter of the Tunisian economy is unaccounted for in official GDP statistics. Out of 750,000 rural women who are old enough to work, nearly 200,000 are in the labour force, a further 45,000 are counted as agricultural labourers. However, some observers believe as many as 600,000 or 80 per cent of rural women have activities which range from tending sheep to weaving, a figure which, if true, would add 14 per cent to the labour force as a whole. Unregistered activity might thus add 15 per cent to agricultural production, a figure which translates into an additional 2.5-3 per cent of GDP. These women might each be earning between TD600-700 a year.

The informal, unregulated sector of the Tunisian economy is an important generator of household income

So strong are government objections to this subject, which is often taken as meaning "smuggling" or "black marketeering", that a World Bank report written in 1985 was never published.

In construction, textiles and leather, stories abound which show the importance of informal work. The city of Sfax, for instance, has no tradition of shoe-making. Now it has become a centre where children on their way home from school often collect the leather pieces needed to make shoes. After dinner, the family gets down to making shoes which are delivered the next morning on the way to school. Accounts are settled on the eve of religious feasts – not a scrap of paper has been exchanged, nor has a bank become involved. The Agence de Promotion de l'Industrie has a bloated workforce desperately trying to locate "new" projects, but the youngsters of Sfax have never heard of it.

The building sector can boast of even more significant developments. In the few years that followed the end of the attempt at full-blooded socialism, two or three years of bountiful crops gave people cash to spend, but building materials were very difficult to obtain.

It is possible that as much as one quarter of the Tunisian economy is unaccounted for in official GDP statistics

Mr Moktar Zarrouck built a small brick factory, using traditional methods and with no help from the state. By 1985, when there was a slump, he owned five factories but the price of construction materials was still controlled by the state in spite of a 10-year effort by the World Bank to persuade the authorities to give up price-fixing.

Mr Zarrouck defied the state, cut his prices by 20 per cent and sent out his fleet of lorries to every town and village in the country to market the bricks he produced, allowing his drivers leeway about the selling price.

In spite of the fact that his move sparked fierce opposition from the employers' federation, Utica, and that two state brick-making companies nearly went bankrupt, the authorities capitulated and allowed a free market in building materials.

Something similar happened to factories established with considerable grants from the state to manufacture prefabricated units. The factories went bankrupt in the face of competition from a smaller, better-run unit set up by a Tunisian who had learned his trade in France. His company, AZIM, unlike the large subsidised units, paid back the banks in full.

Jobs are created informally because they cost a fraction of what is needed to set someone up in the modern industrial sector, TD270 as against TD33,700 (1985 estimates). The average cost of labour in Tunisia is less than a third of that of the "modern" sector while the value added per worker is worth about 50 per cent of that in more up-to-date factories. The informal sector provides an estimated 75 per cent of all apprenticeships. It substitutes locally-made goods for expensive or scarce imports. It responds quickly to demand as happened after the opening of the frontier with Libya when Sfax traders discovered their southern brothers were desperate for mousetraps. It is pervasive because it is easier to have your phone repaired by a travelling mechanic, and easier to start building after bribing the building inspector so as to avoid the maze of red tape needed to gain the permit.

Assuming that the informal sector provides 20-25 per cent more jobs than is officially admitted, one could conclude that in 1986 2.21m Tunisians held jobs out of a labour force of 2.5m rather than 1.79m out of a force of 2.1m. More importantly, these activities do not just provide a safety valve at a time of declining income; they can be cost efficient, dynamic and adept at developing new technology with little or no government support.

هكذا من الأصل

AGRICULTURE

The granary needs to be rebuilt

IN THIS land which was once the granary of Rome, farming continues to play an important role. It employs more than 40 per cent of the population although it contributes, with fishing, a more modest 12.2 per cent of the Gross Domestic Product, a percentage which in 30 years has steadily declined from 24 per cent.

The quantity and variety of some crops have increased – especially certain fruit and vegetables. More recently, the fish catch has increased but other crops, particularly cereal and olive oil, have declined. Meanwhile, the exodus of people from rural areas continues and many Tunisians feel the state is not doing enough to make farming more attractive.

Action needs to be stepped up on soil conservation

Officials point to the increased share of investment in farming as proof that the government has a real long-term policy. They argue that the fishing and fish-processing industries have received a boost from liberalisation of trade, new irrigation schemes have brought benefits to central Tunisia and prices paid to cereal producers have increased since 1986. They also argue that the past two years of drought and the worst plague of locusts in 30 years in 1988, caused considerable damage.

The underground water table has suffered, one third of Tunisia's almond trees died last year and action needs to be stepped up on soil conservation, which receives little attention in "normal" years.

The cereal crops of the past two years, 290,000 tonnes in 1988 and 630,000 tonnes in 1989, are well below the annual average of 1.5m tons. This year's crop of 1.2m tons is an improvement, but still too small. The drought forced the authorities to reschedule many farm debts and denied hundreds of thousands of seasonal workers their means of livelihood over the past two years. Worse, the country has been forced to import large quantities of grain at a time when prices were rising and the US dollar strong.

The cost of importing food after 1986 was also increased by the devaluation of the dinar. And Tunisia this year will need to import 1.4m tons of grain, 40-45 per cent of its milk, and 90 per cent of the sugar it consumes. Meanwhile, the authorities remain cautious about cutting back subsidies which keep the price of bread, flour, sugar, cooking oil and milk cheaper than production or import costs warrant. At present, subsidies on cereals account for TD200m out of a total of TD342m spent on subsidising food and fertilisers.

If the government is serious about boosting the production of cereals and olive oil, the main crops, it faces several problems: first, the increasing fragmentation of the land, second, the ageing workforce, third, the methods used to propagate new farming techniques, fourth, soil conservation and, fifth, wholesale distribution.

Also significant is that some of the richest estates, which have remained under state control since independence, have been subjected to large farming projects, launched in the early 1980s by the then new development banks which associated the Tunisian state with Saudi, Kuwaiti and Emirates funds. Many of these grandiose projects have been mismanaged.

The increasing fragmentation of land (the number of farms has increased from 320,000 to 400,000 since 1960 due partly to Moslem inheritance laws) remains the biggest threat to attempts to improve Tunisia's cereal output. Modern methods of dry farming, faster introduction of seed varieties, extension and perfection of irrigation systems so necessary in a country where the rainfall is unpredictable, cannot be achieved if the land is fragmented and farming remains so poorly capitalised. Addressing this issue requires political courage if only because farmers have not forgotten the forced socialisation of the 1960s. It cannot be done without a carefully planned platform and some hard selling by a minister who, exceptionally in Tunisia, commands the respect of the farming community.

Since 1969, there has been no policy for wholesale distribution

Distribution is probably the solution to other problems. Indeed, since 1969, when the then president Mr Habib Bourguiba abruptly ended the "socialist" experiment led by Mr Ahmed Ben Salah, there has been no policy for wholesale distribution.

The result is that the price of basic foodstuffs doubles or trebles between the farm and the consumer. Because there is no benefit to the producers, they cannot pay the higher wages needed to keep young workers on the farms and an increasingly ageing rural population means less willingness to work, less skill and greater difficulty in achieving soil conservation and afforestation.

The problems of the distribution system extend to the production of olive oil, the main source of income on more than 100,000 farms and part of the income for 1m Tunisians. The decline in productivity since independence is essentially the result of the disastrous policy of freezing producer prices by the Office de l'Huile.

This policy, which was reversed in 1988, made impossible the replanting of olive groves, a critical factor in the fight against the encroaching desert. Improving the quality of output is essential for two reasons: first production fluctuates from year to year, and second, if Tunisia is to diversify its exports away from the European Community which takes three-quarters, it can only bank on quality.

However, improving exports is hindered by two other factors. First, the EC imposes quotas but Italy is not shy when it comes to mixing excellent quality Tunisian olive oil with its own oil of inferior quality and selling it as "Italian" oil, notably in the important North American market where the dietetic qualities of olive oil are increasingly recognised. Second, the marketing of Tunisian olive oil in France needs to be improved.

The future prosperity of the farming sector is very much in the hands of the Tunisian government. Just turning Tunisia into a granary capable of supplying the needs of Tunisia itself would be an achievement worth striving for.

Francis Ghilès

Francis Ghilès on the regions

Balanced development

WHEN SHE founded the city of Carthage in 816 BC, the Phoenician queen Dido shifted the centre of activity in what was later to become Tunisia away from the hinterland and towards the Mediterranean shore.

The presidential palace looks on to the Gulf of Tunis, while commerce and industry, and more recently tourism, have helped to develop the coast. The favours that the former president, Mr Habib Bourguiba, showered on his town of Monastir further helped that locality.

Meanwhile, the poorer north-east Kroumir region, the rich cereal plains round the old stronghold of Le Kef and the southern region between Gafsa and Medenine received little in the way of help from the central government. Roads, in particular, remain atrocious.

While some efforts to help the hinterland were initiated before President Ben Ali came to power in November 1987, Tunisia's second head of state has tried to avoid favouring any particular region. His cabinet is drawn from all parts of the country, while the recent appointment of Mr Mustapha Nabli to the planning ministry suggests that an effort is being made to construct a long-term policy to balance regional development more rationally.

Mr Nabli feels that the pressure on resources around the main cities and along the coast (land prices, water use and pollution) are prompting the state and the private sector to look inland when they plan new projects. Coastal areas and Tunis have to date attracted more than three-quarters of all investment.

Tunisia is lucky in having a number of medium-sized provincial towns, such as Bizerta, Beja, Siliana, Kairouan and Kasserine; while the growth of Tunis is less dramatic than that of the capitals of neighbouring Algeria and Egypt. Nevertheless, certain conditions will have to be met if these towns are to play a more active role.

The city of Sfax has, for generations, been a byword for industrious activity, sober living and respect for cultural and religious traditions. Its activities include the production of: small fishing vessels, software, tiles and shirts

An effort will have to be made to develop roads; and the need for small workshops and for training in basic skills remains paramount. Instead of building yet another *lycee pilote* (elitest experimental school) and more high-priced private clinics, the authorities ought to improve the general standard of education, which is falling, and the social security system.

Two examples of ways in which a region can be helped reflect current policies.

■ Ten thousand tourist beds – including 5,000 due to be sold to private buyers – are being provided in the port of Tabarka, in the attractive but impoverished north-east. Tabarka sits at the foot of high hills, which will boast a spectacular golf course and where those who enjoy boar-hunting can indulge their passion.

In the adjacent mountain resort of Ain Draham, a sports centre, where teams from other countries could come and train, is planned. Conditions for diving and sailing are good, though frequent northerly winds would not make the resort ideal for sunbathing. The Tunisian Saudi bank Stusid is involved in funding this project, while the Italian company Porto Corallo is building a few apartment blocks and a casino, which would be the first of its kind in Tunisia.

Improvements being made to the infrastructure include: the building an international airport, upgrading of roads leading to Tabarka, and modernisation of water and electricity distribution. Such a large project faces problems, not least the recruitment and training of staff of the right quality in a region that has no tradition of service.

■ Down the coastal road, in the direction of Tripoli, is the city of Sfax, for generations a byword for industrious activity, sober living and respect for cultural and religious traditions. The people of Sfax share these characteristics with the people those of Tataouine and Medenine farther south. They have not been helped much by their masters in Tunis. Mr Bourguiba displayed a mixture of fear and disdain towards the south of the country. But an effort is now being made to reduce pollution from the fertiliser factories, improve the roads, rebuild the airport, and modernise the port of Tunisia's most hard-working and inventive city.

The range of activity in Sfax is wide. It includes the production of: small fishing vessels, by Socomenin (for which demand is considerable); software, at Sfax Informatique; high-quality domestic tiles (most of which are exported), by Les Ceramiques Reunies; and Lacoste shirts.

How successful the authorities are in their attempt to shift the balance of economic activity farther inland will depend on other factors. These include a bolder farming policy; the restructuring of state enterprises, where privatisation has only just begun; continued efforts to devolve power to the regions; and the extent to which the head of state and ministers can convince officials that approval is not needed for every transaction.

There is reason for optimism, though concrete results from a bold regional planning policy will not be seen for some years. The question remains, whether Tunisian leaders have the determination for a long haul.

Energy consumption will soon overtake oil production, but . . .

Incentives prove successful

TUNISIA MAY envy the hydrocarbon wealth of neighbouring Libya and Algeria, but it has managed to postpone repeatedly the day when it will become a net importer of oil.

Rising domestic energy consumption seems certain to overtake the modest output of Tunisia's ageing oilfields – by the middle of the decade, according to the latest estimates – but, in the meantime, the authorities are deploying a range of financial incentives to encourage further exploration and development by international companies.

The policy appears to be working. Since the oil-price crash in 1986, only about 10 exploration wells a year have been drilled in Tunisia, a third of the number recorded in the early 1980s; but this year the 23 foreign oil and gas companies in the country are expected to drill 16 wells. After five years' decline, oil production rose slightly to 4.94m tonnes in 1989.

Legislation to promote exploration was introduced in 1985 and 1987. Faster cost-recovery and royalties starting as low as 2 per cent were aimed in particular at promoting the development of small and medium-sized fields which had been discovered but not exploited in the preceding 15 years. "There are quite a few small reserves, which were frozen for years and which are now being developed," says Mr Abdelwaheb Kesraoui, head of Entreprise Tunisienne d'Activites Pétrolières (ETAP), the state oil company.

Additional incentive legislation has been adopted this year. It includes provisions which can allow costs of new exploration to be offset against the profits of production from another concession, thus encouraging oil firms to take on more than one operation in Tunisia.

Tunisia's two main oilfields, El Borma and Ashtart, are old and in decline, making the development of new fields all the more urgent. The most important concession due to come on-stream is the Marathon/Etap Ezzaouia field, in Zarzis, which should begin production this year and eventually account for as much as a fifth of Tunisian output. It is the first significant find for more than a decade.

Oil companies are meanwhile hoping for contracts from Tunisia's joint company with Libya, formed to explore their shared continental shelf, although American companies will probably be unable to take part because of the dispute between Washington and Tripoli.

By the end of 1990 British Gas (BG) expects to decide whether to develop the offshore Miskar gas field. BG, currently with 80 per cent of the project against Etap's 20 per cent, is due to finish tests on a sixth well in the field this month. Reserves are thought to be substantial – about 800bn cubic feet in several reservoir layers – but the quality of the gas is poor. Only about 65 per cent of the gas is methane, with the rest made up largely of carbon dioxide and nitrogen. In addition to a pipeline to shore, a costly processing plant would therefore be required to treat the gas. The whole project could cost $500m or more.

Gas from Miskar would be used largely for Tunisian power stations, and the Government is anxious for the project to proceed, not least because the output of associated gas from El Borma is falling steadily. BG, which also produces oil in Tunisia, hopes to produce Miskar gas by the first quarter of 1994 if it decides to go ahead.

Mr Kasraoui emphasises the importance of Tunisia's efforts to promote the exploitation of gas. "We realised that companies coming to explore in Tunisia weren't really interested in gas, except in the case of very large deposits," he says. Tunisia now buys gas at 85 per cent of the price of the equivalent amount of high-sulphur fuel oil.

Tunisia's gas programme includes plans to extend the pipeline network from Sousse to Sfax. The country already takes some of its gas from Sonatrach of Algeria, drawing it from the trans-Tunisia pipeline carrying Algerian gas to Sicily.

The Tunisian state-controlled phosphate industry suffers from the same sort of geological misfortune as its oil: deposits are scattered and often difficult to process. Of its 6.5m tonnes of annual production, Tunisia exports between 1.2m and 1.5m tonnes of the best quality phosphates, and converts the poorer grades into fertilisers and phosphoric acid in its own factories.

Weak world prices and a cumbersome administration contributed to accumulated losses of some $400m for the industry as a whole up to the end of 1989, but a restructuring programme overseen by the Commission d'Assainissement des Entreprises Publiques is under way.

Victor Mallet

A critical look at tourism

Better image needed

TOURISM remains, more than ever before, a mainstay of the Tunisian economy.

The decline in foreign visitors – numbers dropped by 7.1 per cent last year to 3.2m – and receipts, which declined by 21.3 per cent to TD855m, are attributable to the reduction in the number of visitors from Libya rather than from western Europe.

Despite this downturn, the contribution of tourism to the balance of payments continues to be larger than any other sector of the economy. Furthermore, tourism employs more than 40,000 Tunisians and spawns nearly four times as many jobs in farming, transport and construction. Overall, it contributes 4.2 per cent to the Gross Domestic Product. Indeed, it can be argued that the avowed wish of the Tunisian authorities to get the number of beds nearly doubled, from the present 115,000 to 200,000 by 2000, is an economic necessity.

The purists may object to more developments on the coastline, but the country still boasts many miles of beaches, around Hergla for instance, north of Sousse and on the island of Jerba, which are ideally situated for hotels.

The state has sold virtually every hotel it owns in Tunisia. A class of real entrepreneurs has emerged, among them Mr Aziz Miled and Mr Mohammed Driss, who are prominent among those who manage many thousands of beds. Others, such as Mr Hosni Djemmali, have branched out to buying and building hotels in Morocco.

Tunisia is a market for bulk, low-cost holidays, organised by a few leading operators, otherwise known as "feeders" in France, Germany and the United Kingdom. Going upmarket will be difficult.

Many hotel owners in Tunisia have grown rich quickly, by buying hotels from the state or by building new ones. Unfortunately too many hoteliers are reluctant to improve service, which is often poor, by reinvesting a share of their profits. The standard of buildings and equipment is good but the food is mediocre.

Equally important is the apparent lack of concern of town councils for the environment. They do not appear to be aware of the need for proper pavements, for more trees or for improved cleanliness. Ugly new buildings are defacing many old and new towns. Even more worrying is the lack of awareness of the need to preserve such ancient archaeological sites as Carthage, which is also the smart residential suburb of Tunis. Land speculators and wealthy Tunisians show contempt for traditional architecture. In nearby Sidi Bou Said, one of the most famous beauty spots on the Mediterranean, ugly new villas owned by senior members of the establishment continue to rise. Equally, if the authorities do not make a greater effort to save parts of the old Medina of Tunis, future attempts to add a cultural dimension to tourism will be doomed.

However, efforts are under way to develop a new resort on Tunisia's northern shore in Tabarka and to encourage visitors to spend a few days in the Sahara Desert, a region which offers unique scenery. The project to develop Tabarka, a small, sleepy French provincial-style port near the Algerian frontier, is bold. It involves essentially state-funded building of hotels with 10,000 beds and will offer a spectacular golf course, diving and sailing. The cork oak covered hills which dominate the resort should attract ramblers and wild boar hunters. An international airport is being built, roads and water supply upgraded. However, finding enough staff for all these developments will not be easy – the region boasts no tradition of service at all. The danger exists of an over-ambitious state-financed resort in what remains a backward region.

Further south, Iberotel and a private Tunisian company recently opened an attractive hotel in Douz, allowing visitors on the coast to travel to the desert for a few days. During the drought of 1988-89, work on that hotel turned out to be the lifeline for what remains a very underprivileged area. More ambitious luxury schemes are also being planned. Ritz Carlton is discussing the idea of a 12,000-bed resort in the Kerkennah islands, east of the port of Sfax, while the UK Brent Walker Group and Kuwaiti investors are revamping the former Baie des Singes hotel on the coast north of Tunis.

Although Hilton and Meridien have hotels in Tunis and Sheraton has a good establishment in Hammamet, international names specialising in hotels for businessmen are absent. In the early 1980s, Trust House Forte tried in Port El Kantaoui, but gave up. Ciga and Intercontinental are not present and any change in policy looks unlikely. Club Mediterranee is represented and is adding to its investment.

The development of the Tunisian tourist industry has, over the years, been impressive. In 1962, there were only 000 beds in North Africa's hotels; now there are 115,000. In this period, tourism has become a pillar of the economy.

While efforts are being made to improve amenities in the many Roman sites and to clean up some of the towns at the centre of the tourist industry, many Tunisians seem to think that most foreigners visiting their country are incapable of any activity beyond sunbathing and swimming. As a result they are destroying the country's rich cultural heritage. For instance, in Bizerta and Tabarka new apartment blocks are spoiling the visual quality of these old seaports which could attract tourists.

Francis Ghilès

MANAGEMENT

Doing business in Italy

Negotiating the maze brings its rewards

Unwary newcomers to the country will be faced by a number of idiosyncracies, reports **Haig Simonian**

For *the businessman* who thought West Germany was a bureaucrat's paradise, setting up in Italy can come as a nasty shock. For whatever the country's reputation as a freewheeling haven of flexibility, business Italian-style can be a nightmare.

Many newcomers arriving with a suitcase-full of misconceptions about Italy – that its *similarity to the* UK, France and West Germany in terms of population and, roughly, income, also implies a like-minded business culture – have been left in the mire.

Red tape and public-sector inefficiency are common complaints. So is the reluctance among both public and private sector companies to be pinned down to specifics.

Peter Harf, chief executive of Benckiser, the privately owned West German detergents group, is one of those to have run the Italian gauntlet.

Benckiser has catapulted itself into the upper echelon of European consumer products groups through a string of daring acquisitions, notably in Italy. However, having acquired Mira Lanza and Panigal, two leading Italian household products groups, in February and November 1988, respectively, Harf soon found himself facing a prolonged strike. This was because Benckiser planned to rationalise production and lay off 500 workers.

For Wendy Rimmington, labour relations have been the least of her problems. Rimmington is the young sales and marketing director of Penguin Italia, the Italian subsidiary of the UK publishing group, which set up in business at the *beginning of this year with a* staff of just four. After assisting in the birth of the new Italian company, she too has experience of the pains of Italian bureaucracy and business practice.

Both Benckiser and Penguin have learned many lessons on their way to understanding Italian idiosyncracies. Advance information and much homework top their list of tips for the unwary. Not only is Italy much less like the UK, France or Germany than many foreigners expect, its huge internal differences take even longer to grasp.

The wealthy north – which revolves around the financial and industrial hub of Milan – is far less similar to other big north European cities than even many well-travelled Italians believe. But it is a world away from the economically under-developed Mezzogiorno, which some north Italians prefer to consider to be culturally, if not geographically, more akin to Africa than Europe.

As Jean-Philippe Quercy, the French commercial consul in Milan, points out, average unemployment rates in Italy range from 4 per cent in Milan to a whacking 22 per cent in the south.

Such regional disparities can create immense problems for newcomers. Penguin Italia has taken on three sales representatives to cover north, middle and south Italy, based in Milan, Florence and Rome, respectively.

It has, though, also decided to retain the 18 *propogandisti* – freelance reps – used by Longman, its longer-established sister company, in order to capitalise on their specialised local contacts with key customers in universities, schools and colleges.

In the north, the poor quality of infrastructure can come as a big shock, especially to Swiss or Germans used to public-sector services which run like clockwork.

Intra-urban postal services take days, if not weeks – which explains the prevalence *of fax or private messenger* services for business communications. Trains and aircraft are often late or subject to strikes, making direct communication less reliable than in most of northern Europe. And city centre *traffic can be horrendous.*

Thus it *is* more than just prestige which explains why so many big Italian companies have their own aircraft or helicopters. The Frankfurt businessman used to flying 400 kilometres to a city centre meeting in Munich and back in time for lunch had better think again if contemplating a similar exercise in Italy.

To suppose that problems with physical transportation have spurred excellence in voice or data communications is to err. After years of neglect, Italy's lamentable phone system is only now starting to benefit from huge investment.

That means a new business can still wait weeks to get a line installed. And great patience is required even to put an international call through at peak hours. The lesson is simple; foreigners who have strings should pull them hard, for even influence cannot guarantee swift results.

Quercy fully confirms the old adage that, in Italy, it is personal contacts that count. And both Harf and Rimmington, although responsible for local enterprises of substantially different scales, agree that their initiation was greatly eased by the contacts provided by existing local operations or sister companies.

While an open door to good lawyers and other specialist advisers is a must, no amount of specialists could have helped Rimmington to set up a *societa a responsabilita limitata* (Srl) – the simplest form of limited company in Italy – any faster than the snail's pace at which local bureaucracy operates.

It takes a new company two months to get the all essential *omologazione* – registration – from the local registrar of companies. During that time, the new entity is in limbo. In Penguin's case, Rimmington could not employ staff, buy cars for reps or even get stationery printed since it must carry the company's registration number.

Opening a bank account is no easier; banks are forbidden *to set up an account until a* new company is registered.

Even personal finance can be tricky. Banks will not open an internal account without seeing the newcomer's *permesso di soggiorno* – residence permit. That takes weeks (and took even longer until recently) of hour-long queueing to obtain, but now it is even longer since the Government announced an amnesty for the thousands of illegal immigrants who are now flocking into local offices to regularise their status. Rimmington recalls having great difficulty in cashing travellers' cheques for more than £200 at Milan banks.

For Rimmington, the most important piece of advice is to concentrate on personal matters during the weeks of waiting. But, as she admits, that is easier said than done.

While specialist firms do exist to help outsiders deal with "the nuts and bolts of how to operate in this environment," according to Harf, not all newcomers take the bait. Penguin's tight budget meant it stuck to its lawyers, rather than turning to relocation specialists, says Rimmington.

In such circumstances contacts are worth their weight in gold. According to Quercy, French companies in Italy have switched from buying majority stakes in local firms, to which they would second expatriate management, to accepting minority stakes and retaining local management.

That partly reflects the improvement in Italian management skills, he thinks. But it also illustrates the greater awareness among French companies that Italians are "much better at understanding the complexities of local politics and bureaucracy" than any Frenchman.

While government offices in Italy may be less susceptible to the use of personal contacts, some banks are willing to break the rules, especially for a company with a prestigious name, irrespective of its local *size. Sometimes, such can be* extended to the individual.

The country has a unique breed of financial and legal advisers, called *commercialistas*, who can be well worth cultivating. Though often just private accountants, some *commercialistas* are much more than just number crunchers. If well connected, they can be invaluable middlemen in a variety of deals, ranging from small-scale mergers and acquisitions to giving tips on how to cut administrative corners.

The importance of contacts in Italy helps explain the emphasis many foreigners place on inter-personal skills, and especially language. The Italian tendency to stress the individual, rather than the company, in business relationships can turn a knowledge of basic Italian into a boon.

Having some language is a prerequisite to grasping Italy's bureaucracy, according to Quercy. And learning the language was paramount for Harf, given Benckiser's task of rationalising its Italian acquisitions and melding three sales forces into one.

At a crucial first meeting of the group's salesmen, he delivered a 20-minute keynote speech in good, if not perfect, Italian. Using his audience's own language to describe Benckiser – which at the time was hardly a household name *for most of those present* – was an essential factor in setting the tone for the two days of intensive briefings ahead.

Once in business, contacts are even more important. Italy – and Milan in particular – "is *like* a big village," says Harf. Establishing a personal rapport with a business partner can be a boon in view of Italy's sometimes fuzzy business culture.

For north Europeans used to making appointments weeks in advance, the Italian habit of often leaving matters to the last minute, and then ringing to confirm, can be strange. Likewise locals' apparent lack of embarrassment in cancelling arrangements at very short notice, or in not replying to invitations. Even important contractual details can be left vague until very late in the negotiations. "It's very hard to get your hand around a deal," says Harf.

Confidentiality can also be a problem. With "everyone talking to the press," leaks are common in larger transactions, Harf reckons. He should know. Dealing with the media was one of Benckiser's hardest lessons in coping with its Italian acquisitions.

Harf admits that he never thought that making 500 workers redundant would cause such an outcry in the Italian press.

In Germany such a step would pass through the normal, time-honoured channels of detailed negotiations with the union. Eventually, there would be a generous *sozialplan*, including assistance in finding new employment and a sizeable redundancy package.

Benckiser's Italian experience was altogether different.

Rather than one union, it had dozens of not always like-minded workers' representatives to deal with. Meetings with the unions involved far more people than the handful Harf might have expected at home; one mammoth session involved about 150 people against a likely five in Germany, he says.

Political differences between unions in Italy and the far greater degree of inter-union rivalry compared with Germany also led to exaggerated *jostling for position* among the union officials, he says.

But the biggest shock for Benckiser was the role played by the media, which it wholly underestimated. "The unions even took a journalist into the negotiations," Harf recalls.

Italy's volatile and speculation-prone press is certainly a far cry from the much more sober German model. Better handling of the media is one of Benckiser's biggest lessons from its Italian experience.

"We thought we could do it while keeping a low profile," says Harf. "That hopefully won't happen again." Benckiser has since gone on to *streamline its Italian activities.*

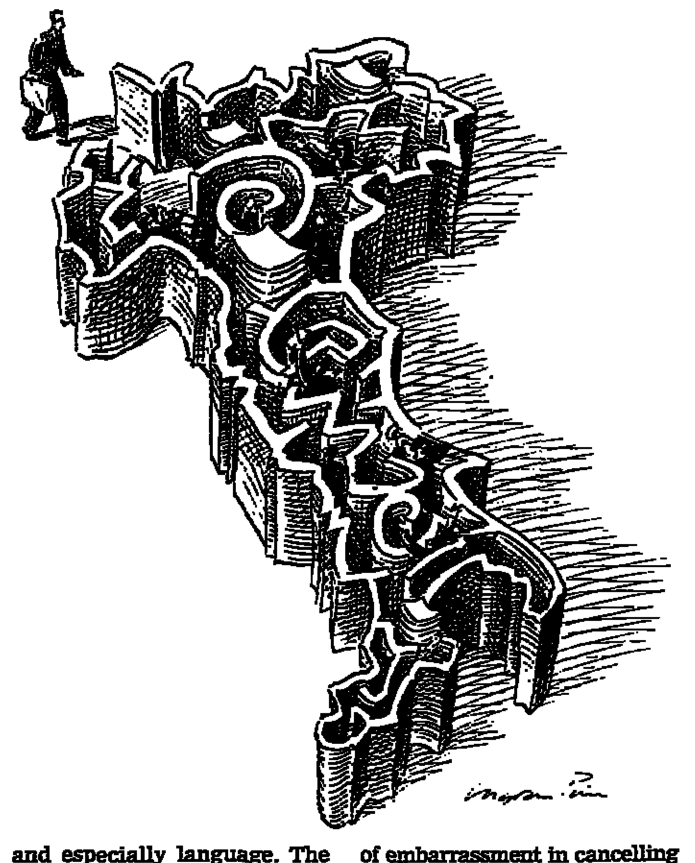
But while Harf believes the company may also have suffered from an element of prejudice on account of its German origin, Rimmington's experience with the media shows that *being foreign can provide* good, as well as bad, copy.

She is still amazed by the degree of media interest in Penguin's arrival, which far exceeded anything she might have expected back home. Penguin now receives regular enquiries from the state-owned RAI television network for material for arts programmes, while one producer even expressed regret at not knowing in advance about the company's launch party, which he says he would have filmed.

Such experiences confirm the widely-held view that, once a budding company is free of the red tape impeding its getting started, Italy can be an immensely welcoming and even generous market to anyone with ideas.

While Harf admits that Benckiser's decision to expand locally was largely an opportunistic reaction to the fact that Italy offered a rare chance at a time when most European detergents markets were already sown up by the big multinationals he speaks warmly of the market's growth *potential and brand consciousness* of Italian consumers.

And Rimmington mentions an "incredibly welcoming feeling" from customers in the book trade. Long inured to the maze-like ways of local bureaucracy, the bookshops "have been wonderfully patient and understanding" during Penguin's gestation period, she says. Even in Italy, it seems, patience can have its rewards.



Business courses

Project Management - The critical skills and techniques. August 6-8. London. Fee: £690 + VAT. Enquiries: The Informatics Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel:081-871 2546. Fax:081-871 3866

The New Manager. September 2-14. Bradford. Fee: £2,475. Enquiries from: University of Bradford, Management Centre, EMM Lane, Bradford, West Yorkshire, BD9 4BR. Tel:(0274) 542299. Fax:(0274) 547486

Winning the negotiation. Skills and techniques. November 5-6. London. Fee: £545 + VAT. Enquiries from: Monadnock International, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel:081-871 2546. Fax:081-871 3866.

How to select productive people. November 19. London. Fee:£290 + VAT. Enquiries from: Monadnock International, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel:081-871 2546. Fax:081-871 3866.

Implementing Business Strategies. September 16-21. Kent. Fee:£1,750 + VAT. Enquiries: Robert Middleton, PR Executive, Sundridge Park Management Centre, Plaistow Lane, Bromley, Kent BR1 3TP. Tel:081-460 8585. Fax:081-466 1578.

Practical Manpower Planning – Part 2. November 18-23. Worthing. Fee: £1,995 + VAT. Enquiries from: Meg Reed, Institute of Manpower Studies, Mantell Building, University of Sussex, Falmer, Brighton BN1 9RF. Tel:(0273) 686751. Fax:(0273) 690430.

World Mobile Communications. September 24-25. London. Fee: £560 + VAT. Enquiries from: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ. Tel:071-925 2323. Fax:071-925 2125.

Juran – *Management of Quality.* October 25. London. Fee: £1,095 + VAT. Enquiries from: David Hutchins Associates Ltd, 13/14 Hermitage Parade, High Street, Ascot, Berkshire, SL5 7HE. Tel:(0990) 28712. Fax:(0990) 25968.

FT LAW REPORTS

Takover bidders have no case

Morgan Crucible Co v Hill Samuel Bank Ltd and others
Chancery Division: Mr Justice Hoffmann:
July 24 1990

DIRECTORS and financial advisers of a company which is the subject of a contested takeover bid, owe no duty to bidders to take reasonable care in making financial statements on which they could foreseeably rely, irrespective of whether their identity is known when the statements are made.

Mr Justice Hoffmann so held when refusing an application by the plaintiff, Morgan Crucible Company, for leave to amend its pleadings in a negligence claim against Hill Samuel Bank Ltd and seven other defendants.

HIS LORDSHIP said that on December 6 1985 Morgan Crucible announced a bid for First Castle Electronics plc.

At that date First Castle's recent published financial statements were its report and accounts for the years ended January 31 1984 and 1985, audited by accountants, and an unaudited statement.

The formal offer document went out on December 17. Hill Samuel advised First Castle. First Castle's chairman, Mr Leslie Connor, sent out circulars to shareholders. He recommended that the bid be refused. Further circulars followed. All expressly or impliedly referred to the earlier financial statements.

On January 20 Mr Connor wrote to Hill Samuel "The next circular . . . will form the basis on which Morgan Crucible may decide to increase their offer".

A circular dated January 24 1986 forecast a 38 per cent increase in pre-tax profits. It included a letter from the accountants stating the forecast had been properly compiled, and a letter from Hill Samuel expressing the opinion that the forecast had been made after due and careful enquiry.

On January 29 Morgan Crucible increased its bid.

The successful contested bid was followed by disappointment and recrimination. Morgan Crucible said the accounting policies adopted in the pre-bid financial statements and the profit forecast were negligently misleading and grossly overstated the profits.

Having paid about £50m for First Castle, Morgan Crucible now said it was worthless. If it had known the true facts, it said, it would never have made the bid, let alone increased it.

A writ was issued on May 6 1987 against Hill Samuel, the accountants, Mr Connor and the First Castle board.

The statement of claim alleged that the accountants and board were responsible for putting the financial statements into circulation, and that they and Hill Samuel were responsible for the profit forecast. They alleged that a duty of care was owed to Morgan Crucible as a person who would foreseeably rely on them. The action was set down for trial in January 1991.

On February 8 1990 the House of Lords gave judgment in *Caparo [1990] 2 WLR 358.*

It decided that auditors who certified accounts for the purposes of the Companies Act 1985 owed no duty of care to a potential takeover bidder. It was not sufficient that it was foreseeable, even highly foreseeable, that a bidder might rely on the accounts. The House held there was no relationship of "proximity" between auditors and bidder to found a duty of care.

Morgan Crucible recognised that *Caparo* was a blow to the way its case was pleaded. It now applied to amend its statement of claim to raise an *arguable case for the existence of* proximity.

The proposed amendment said that announcement of the bid placed Morgan Crucible in a relationship of proximity, and the board and advisers then owed it two duties: first, to correct any inaccurate pre-bid statements on which it would foreseeably have relied; and second, to take reasonable care in making statements in documents on which it would foreseeably rely.

Mr Suttle for Morgan Crucible, said that announcement of the bid took him out of the *Caparo* principle and brought him within *Smith v Bush [1989] 2 WLR 790.*

In *Smith* the House of Lords held that a surveyor carrying out a valuation for a building society owed a duty of care to the purchaser, notwithstanding that the valuation was intended only for building society purposes. In a number of respects the situations in *Caparo* and *Smith* were similar.

First, the statements in both were obtained pursuant to statutory obligations – under the Companies Act in *Caparo* and the Building Societies Act 1986 in *Smith*.

Second, in neither case did the person making the statement have a wider purpose. Third, in both cases reliance by the plaintiff was very foreseeable.

Why then was the House willing in *Smith*, but not *Caparo*, to extend the duty of care in a statement of which the statutory and declared purpose was different from that for which it was used by the plaintiff?

The differences consisted in the parties' economic relationships, and the nature of the markets in which they operated.

First, Mr Smith paid for the survey. Although he had no contract with the surveyor, the relationship was akin to contract. Caparo did not pay for the audit.

Second, the typical plaintiff in a *Smith* type case was of modest means making the most expensive purchase of his life. The surveyor could protect himself by insurance. The takeover bidder on the other hand, was an entrepreneur taking high risks for high rewards, and while some accountants might be able to take out sufficient insurance, others might not.

Third, imposition of liability *on surveyors would probably* not greatly increase their insurance costs and push up the cost of surveys, because the typical buyer who relied on a building society survey was buying a relatively modest house. Takeovers on the Stock Exchange involved huge amounts, and the effect on accountants' insurance and fees were unpredictable.

If one had regard to the distinctions between *Caparo* and *Smith* it became clear on which side of the line the present case should fall. The defence documents, like the *Caparo* audit certificate and the *Smith* valuation, had a regulatory background in the City Code of Takeovers and Mergers.

It was clear from the Code that the purpose of the documents was to advise shareholders as to whether to accept the bid. There was nothing to suggest they were meant for the bidder.

None of the economic distinctions between *Caparo* and *Smith* justified extending the duty of care to a person relying on the documents for a purpose beyond that contemplated by the Code.

The bidder had not paid for the information in the documents. It made no difference that bid and bidder were known rather than foreseeable when the documents were issued. Knowledge that a bid had been made was the limit on the scale of foreseeability. In *Caparo* the degree to which a bid was foreseeable was treated as irrelevant.

Nor did it matter that the documents and internal memoranda showed that the board and advisers contemplated that Morgan Crucible would react to the statements. It would seem odd that the existence of a duty of care, based on what was fair, just and reasonable, should depend on whether the defendants were sufficiently intelligent to appreciate the realities of the situation.

The case could not be distinguished from *Caparo*.

In a sense the reasons for denying the duty of care were stronger than in *Caparo*.

In a contested bid the interests of the bidder and shareholders conflicted. The board's duty was to ensure that shareholders got as much as possible for their shares, and the bidder's interest was to pay as little as possible. To impose on the board and its advisers a duty of care owed to the bidder would put them in an impossible position.

If there was no duty of care to the bidder in respect of the defence documents, it followed there could be no duty in relation to financial statements previously published. Despite the proposed amendments the entire case based on negligence was bound to fail. The amendments were disallowed.

For Morgan Crucible: Stephen Suttle (Herbert Smith)
For Hill Samuel: Michael Brindle (Berwin Leighton)
For the accountants: Thomas Lowe (Barlow Lyde & Gilbert)
For Mr Connor: Leslie Kosmin (Reynold Porter Chamberlain)
For the board, executive and non-executive: Nigel Davies (McKenna & Co); Michael McLaren (Allison & Humphreys)

Rachel Davies
Barrister

Note: In Banque Financiere de la Cite v Skandia (UK) Insurance, FT July 24, counsel for the plaintiff included Mr Hodge Malek

TECHNOLOGY

While reaction timers might seem more at home in science museums, a growing number of US companies are investigating modified versions for use in the workplace. In the past, drug and alcohol testing programmes have often been launched to confirm a worker's ability to perform potentially dangerous tasks like driving or operating heavy machinery.

But researchers have misgivings about the violation of privacy and about the effectiveness of these tests to measure impairment. Breathalysers, for example, calculate blood alcohol *content and generate a* four-digit number, "but God alone knows what it means," says Ezra Krendel, professor of systems engineering at the University of Pennsylvania. "People are often seduced by numbers, but there is a great variation between individuals in how alcohol affects the ability to perform."

Recently, however, alternative techniques developed in the armed services and government departments have begun to find commercial applications. They are not diagnostic, testing alcohol or drug use, but rather directly measure someone's ability to perform a task. One of the most developed technologies was launched in late February this year by Performance Factors Inc from Alameda, California.

Its product, Factor 1000, consists of a software package run on a personal computer which has a specially adapted keyboard and a control knob. The user turns the knob clockwise or anticlockwise to try to keep a diamond-shaped pointer in the centre of the screen. The pointer randomly jumps to the left and right, at increasing speeds. When it finally hits a boundary on either edge of the screen, the turn ends.

Every morning when employees arrive at work they spend less than a minute running the test. The computer measures their performance, and compares it with their normal "baseline" score from previous runs. If it is significantly below the average, they get three more attempts to pass before being rejected for *impaired ability*.

"We measure psychomotor performance; the combination of eye, brain, muscle and hand co-ordination," says Todd Richman, vice president for marketing and sales. That makes it ideal for testing staff who would be driving, operating equipment, and handling materials, for example.

Andrew Jack reports on tests which measure a person's ability to perform dangerous tasks

Office safety net arrives for work

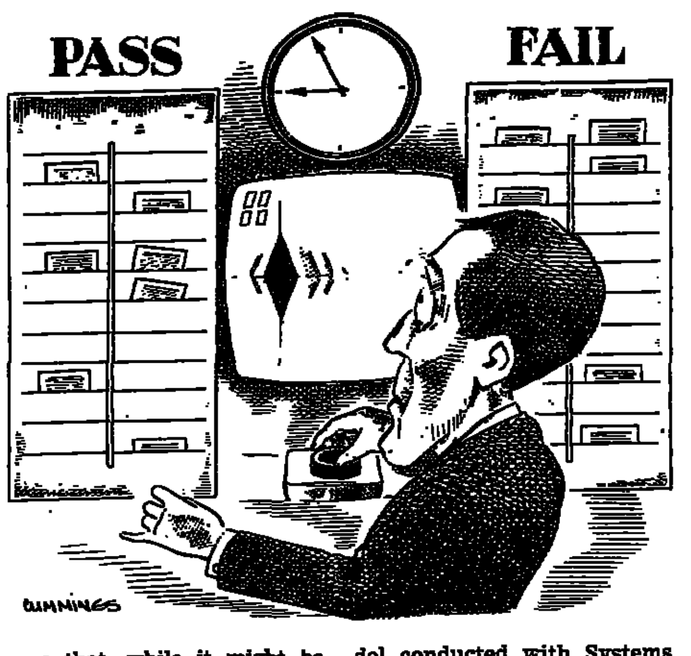
Don Harrison, vice president of Old Town Trolley which provides historical tours of San Diego, agreed to use the system on trial a year ago. He says he is delighted with its operation, and hopes that it can be used as a substitute for recent Department of Transportation guidelines currently on appeal, which mandate intrusive random drug-testing for drivers.

Only a handful of his 35 drivers have failed the daily test, in part, he suspects, because of its deterrent effect. Those who fail discuss possible reasons with a supervisor, and are given the option of going home or taking a less hazardous job for the day, such as dressing up in costume and appearing on the trolley as a character from San Diego's past.

"We have not found a single drug user," he declares. The company discovered that one person who could not pass had just broken up with his girl friend – something a drug test would have never detected. "We want to find out whether someone is fit to perform their job, not whether they have used drugs," Richman points out. "Impairment may be caused by benign factors such as fatigue, illness or personal stress."

The technology behind Fac*tor 1000 – known as critical* tracking – was originally developed in the 1950s by Systems Technology Inc of Hawthorne, California, which has licensed it to Performance Factors. It was developed in collaboration with the US Air Force to test a pilot's ability to control an unstable aircraft, and measures a function of both their logical limitations *and muscular abilities*.

"It is not simply a reaction timer," stresses Krendel, who has worked with System Technology. "It demands a dynamic response, because the test characteristics are changing as the pointer moves around." Reaction timers, in contrast, are static and merely measure speed of response. Krendel also



says that, while it might be technically possible to establish absolute performance standards for a task, the test is designed to measure the relative performance of its users compared with their previous scores.

"There is no evidence that this measure of physical performance relates to cognitive *performance," adds Krendel*. "But it does indicate a general ability to do perceptual motor activity, and tests how someone responds in a situation with precious little leeway to see whether they can make an appropriate physical response."

In the 1960s, Nasa used a version in trials for the astronauts preparing to work in the Skylab space station. More recently, the National Highway Safety Administration adapted it for experimental use with convicted drunken drivers. As a condition of probation, they would have a device mounted on their car dashboard. If the driver failed, and started the engine anyway, the horn would honk once the car reached 10 mph. In trials Krendel conducted with Systems Technology, scores correlated closely with blood alcohol content.

Factor 1000 costs approximately $1,000 to install, and up to $200 a year per employee to maintain through an annual service agreement. That compares favourably with more than $70 for a single confirmed drug test for each worker, claims Richman, and gives an instantaneous result after a short test time, while urine analysis takes several days. The company has recently signed up the distribution operation of a major toy retailer and the explosives production unit of a defence contractor.

Other performance tests are also available. David Vinson, president of Factor Inc, has spent his academic life researching nerve physiology. Factor's AL6 system uses a modified laptop computer, which runs two separate tests over 20 minutes. They are designed to examine cognitive ability rather than physical reaction, by testing eye movement scanning and what Vinson calls "mental time sharing." Like Factor 1000, the tests reflect the environment for which they were developed: a pilot's ability to read and react to cockpit instrumentation.

In the first test, a sequence of numbers in the range *nought to nine* appears randomly on the screen, one in each of nine boxes in a grid: the user has to identify which digit is missing. In the second, the cursor lingers briefly in each box, sometimes leaving it blank and at other times inserting a number from the range, so that only five digits are used in total. The user has to remember which digits were *displayed* and *in which boxes*.

Even experienced pilots score only just over 50 per cent, says Vinson. The measurement indicates their ability to organise information, and tests their fitness for duty by comparing the pilot's score with both their own average and an absolute measure required for the job. Baselines are drawn from thousands of measurements taken over years of experimental trials.

AL6 is leased for $13,000 a year, and is used by Hawaii's Aloha airlines, and in Canadian aviation. Vinson says the US Air Force conducts performance testing, but with "antique methods developed in the 1940s which are totally unrelated to the nervous system." He claims that the Air Force refuses to adopt his sys*tem because of a protective* "not invented here syndrome" mentality. Others cite Vinson's lack of strong marketing efforts, since he does not want to reveal too much about the system for fear of plagiarism.

A third system is Delta 2000, created by the Alexandria, Virginia-based Essex Corporation. Drawing on a series of US navy psychological tests designed to measure the effect of motion sickness, Essex has assembled a battery of 30, including half a dozen core tests which take five minutes to perform. Each has been scrutinised through repeated examinations to ensure that they work repeatedly over time.

"They test cognitive ability, spatial awareness and motor speed," says Bob Kennedy, director of the company's human performance laboratory. "It is inconceivable to me how using the tests could not increase production." The company has already sold experimental versions of its tests to scientific groups, including the Royal Navy. With the rise in drug testing, it is now examining commercial markets.

The power play of a new PC

HOLDING on to its lead in the personal computer performance sweepstakes, Compaq Computer this week launched what it claims is "the world's most powerful personal computer", *writes Louise Kehoe*.

Priced at $14,000 (£8,000) to $20,000, the Deskpro 486/33L is also one of the most expensive PCs on the market.

Compaq's PC is based on the latest version of Intel's 486 microprocessor and is 50 per cent faster than IBM's top of the line PS/2, the company claims. It is designed for use in intensive applications such as computer-aided design, scientific analysis and financial modelling.

The 486/33L also represents a challenge to computer workstations from manufacturers such as Sun Microsystems and Digital Equipment.

Compaq's ability to capture a share of this highly competitive segment of the computer market may, however, be *hampered by its reliance* upon computer dealers more accustomed to selling lower-priced machines.

While the performance of PCs and workstations overlap, the channels of distribution and applications software remain distinct.

Efforts by PC manufacturers such as Apple Computer to make an impact in the engineering workstation market with very high performance PCs have so far met with limited success.

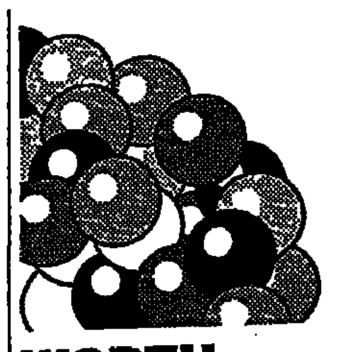
From A to Z in eastern Europe

IT is relatively easy to visualise the problems of re-writing software developed in England or the US for sale *in the French or German mar*ket – a number of accents have to be added to letters used in those languages.

Try, then, to imagine the scale of the problem for software designers wanting to sell their wares throughout eastern Europe, with the diversity of alphabets and characters. In Yugoslavia alone, for example, software *is written using more* than 30 different "code pages" – the sequence of letters, and graphic characters that appear on the screen.

Until now there has been no common way of writing software, but the task should prove easier following agreement between a clutch of major hardware and software *suppliers on a common code* page IBM's Code Page 852. The agreement is between such big names in the West as IBM, Microsoft, Ashton-Tate, Lotus and Hewlett-Packard, as well as companies such as MSP, of Warsaw and Novotrade of Budapest.

The standard will mean one software package can be sold and used in Czechoslovakia, Hungary, Poland and Yugoslavia. The Soviet Union has its own code page, agreed upon earlier this year.



WORTH WATCHING

By Della Bradshaw

Plants resist fungal attack

AN increased shelf-life for fruit and vegetables as well as more resilient oil and grain crops is the promise of a *technique now patented for* protecting crops from fungi.

The process, developed by DNA Plant Technology, of Cinnaminson, New Jersey, uses chitinase, an enzyme which breaks down chitin, a substance found in the cell walls of many fungal growths.

The chitinase gene is extracted from a soil bacteria and then engineered into the plant itself to make it resistant to fungal attack. This genetic engineering is intended to replace fungicides for clearing the soil and treating plants and harvested fruits. Use of such chemicals costs more than $1bn annually on a worldwide basis.

Steam joins the fast track

STEAM production smacks of 19th century technology rather than a process for the 21st. But a means of producing steam almost instantaneously could make its use more economical in industries as diverse as food processing, plastics and textiles.

The technique, developed by Cubit of Warwick, can turn cold water to steam in less than three minutes. The system works by pumping cold water through a sieve-like device, which divides it into tiny droplets. When the fine spray hits the heat exchanger it is turned into steam.

Because the process is so rapid, the steam can be produced on demand, without the need to have a boiler idling during slack periods.

The Cubit system runs on oil, gas or liquid petroleum and can produce hot water through to super-heated steam up to a capacity of 5,000lbs per hour.

Computers are put to the test

HOW do you know if your company's personal computers are being used to their best advantage? A software package from Brender Management Services (BMS), of London, could help find the answer.

The package can tell, for example, which PCs are used too infrequently – so that some machines can be shared. Or it can show which software is well used or not used at all – allowing the company to cut back on software licences.

The Personal Computer Resource Management Service software can be loaded on to the PC via a floppy disc *or computer network*. The results can be either read from the screen or sent to a database. BMS is licensing the package and providing consultancy to help interpret the data.

Maps don't mind a spot of rain

WHEN you unfold a map in the pouring rain and it is reduced to pulp, the inevitable question is why no one *has made a waterproof map*.

Now Press Polish Printing, of London, has. It has printed a colour map on to a soft pliable plastic, which is both tough and flexible.

The first map is of "Top leisure and theme parks in Britain", but other maps, and eventually cookery books or car service manuals, could be made in the same way.

Contacts: Compaq: US, 713 370 0670. Ashton-Tate: UK, 0753 27262. DNA: US, 415 547 2395. Cubit: UK, 0926 451968. BMS: UK, 071 491 7814. Press Polish: UK, 081 769 7745.

THE PROPERTY MARKET

Pendulum swings back to Barclays

By David Lascelles

Barclays Bank is both the UK's largest clearing bank and its largest lender to the property sector. At the end of last year, it had £4.5bn of property loans on its books, equivalent to about 8 per cent of its total UK loans.

With the sector showing severe signs of strain, how is Barclays bearing up? The bank's UK corporate division manages the property portfolio from offices behind the Royal Mint near the Tower of London. It is run by Mr Sinbad Coleridge; Mr Peter Scott is its corporate finance director specialising in property.

"We anticipated two years ago that the market was in for a rough time," said Mr Coleridge, "so we started taking a much tougher line towards speculative lending in housing and property development."

This was not immediately reflected in any marked slowdown in Barclays' property lending, though. This advanced by 40 per cent last year, only slightly below the previous year's 49 per cent rise. But the peak in growth was November 1987, since when it has fallen steadily, and is now smaller than Barclays' peer banks, though Mr Scott adds that it would be wrong to think of Barclays shutting off the tap. "We are most emphatically not out of the market," he says.

Quite what this growth means for the quality of Barclays' property loan book will become evident on August 3 when it publishes interim results in which analysts expect to see some provisions. But Mr Coleridge sounds a reassuring note. "A number of property companies have got into difficulty. Hopefully we have avoided most of them, though not all. We believe the quality of our portfolio will stand serious examination."

Scott sees the problem in terms of four types of risk: planning, completion, letting and refinancing. Underlying each is the quality of the management of the property company. Barclays has been tightening up terms of its financing, for example by insisting on rental deficiency guarantees or reducing the loan/value ratio, and it closely monitors the behaviour of investment institutions to keep abreast of refinancing prospects.

But how bad are things in the market?

Mr Coleridge says: "I have few doubts that the balance of the market is not as dangerous as it was in the great property crash of the 1970s. All the players – the banks and the property developers – are more aware of the risks, and this time round they are better hedged."

Sinbad Coleridge, left, and Peter Scott: fast and flexible

Mr Scott mentions other factors: that occupier demand has not vanished, that property companies are less heavily geared (only 30 per cent versus 55 per cent in the 1970s) because managers are more sensible, and developers are less exposed to floating rate debt and therefore relatively more immune to high interest rates – at least for a time.

Mr Scott's main worry is not the decline in rentals, but the buying strike by institutions, because this has choked off fundamental demand in the market. He points out that there is now £34bn of finance out against property development, of which a third has no tenants or buyers. Institutions would rather earn 15 per cent on their cash deposits than invest in property when yields are still rising.

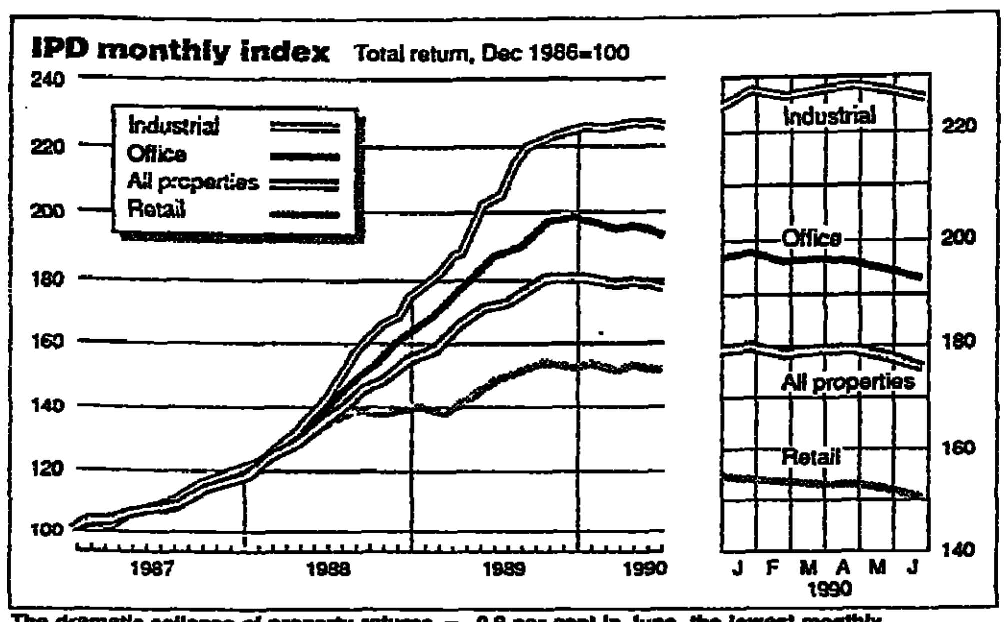
How long can all this go on for? Possibly quite some time. Mr Scott says: "We're not yet at the bottom of the cycle. There are some signs of bottom fishing, but we could be bumping along the bottom for as much as two years." He thinks the upturn will come when you can see sterling money market rates falling to 10-11 per cent within six months.

But there are some encouraging signs. Occupier demand for new space is still strong, particularly for buildings with high-tech specifications and good vehicular access. Institutions are also buying some prime shops and office space. Although the vogue for large dealing rooms in the City has died down, it has been replaced by demand from professional firms – which like cellular lay-outs. Parts of London where supply is restricted by planning constraints or other factors – the West End – are also strong.

Outside London, Mr Scott cites Leeds, Manchester, Birmingham, the Guildford area (though not Bracknell) as being attractive.

He even thinks Docklands "could become interesting again" as yields creep up. If you take the view that Docklands rents could eventually rise to 80-90 per cent of City levels, there is a lot of upside potential at present levels. But asked whether Barclays would participate in the forthcoming refinancing of Olympia & York's Canary Wharf project, he stalls: "It depends..."

One of the big changes in property finance has been the growth of new techniques, particularly on the investment banking side. For Barclays, this has meant a close involvement with Barclays de Zoete Wedd, its five-year-old investment banking arm. Mr Scott says that important innovations, such as deep discount bonds and convertible mortgages, are enabling companies to raise lower cost money in the early stages of a project, in return for a greater financial cost, or parting with some of the equity later on.



The dramatic collapse of property returns – -0.9 per cent in June, the lowest monthly return this year – is due to lengthening yields and cooling rental growth

Mr Coleridge says: "The key is to be fast and flexible and responsive – not just to say yes or no, but ask 'what if..?'"

When times are hard, it puts a strain in relations between banks and their customers. So what is it banks look for in their clients in such times?

Mr Scott replies: "The relationship is very important. It's management you're dealing with. We like a company with a track record of successful projects. There are a lot of prima donnas and one-man bands. But we like companies that can keep a team together."

Mr Coleridge says bankers like their customers to take them into their confidence about their long-term plans because that gives a better feel for what will happen. Banks want to feel they are involved in "strategic lending" rather than one-off deals. For Mr Scott, it is also important not to look at any property project in isolation, but in terms of a company's total activity.

None the less, that has not prevented good developers from exploiting the intense competition that has existed among would-be lenders at the top end of the market. "They throw out sprats," says Mr Scott. He thinks the final phases of the Broadgate development in the City probably marked the furthest extent to which the pendulum swung in the borrowers' favour. Since then, tougher times have brought it back again.

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ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
27	28	29	30	31	1	2

EXHIBITIONS

London

The Royal Academy. The 222nd Summer Exhibition – the oldest established and largest open submission exhibition in the world, though with only 1,206 assorted works of painting, sculpture, architecture and the graphic arts, it is somewhat smaller than usual. Sponsored by the Dai-Ichi Kangyo Bank.
The Tate Gallery. On Classic Ground – a large exhibition devoted to French, Italian and Spanish art of the first four decades of the century. It includes work by Matisse, Picasso, Braque and other established masters of the period but also much that is fresh and unfamiliar by the less well known, if no less deserving. Sponsored by Reed International.

Paris

Carte musées et monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.
Centre Georges Pompidou. Andy Warhol. Some 200 works retrace the career of the multi-faceted artist who became one of the main representatives of American Pop Art and part of the *Underground Culture* scene. His acrylic paintings inspired by comic strips, his series of Coca-Cola bottles and Campbell's soups, of film stars and political celebrities express an important aspect of contemporary vision. Projections of Andy Warhol films complete the exhibition. Beaubourg. Closed Tue (42771233).
Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired - Renoir, Cezanne and Rousseau. (42712421).
Galerie d'Art Saint Honoré. A Flemish 15th century retable. Around a large-sized 15th century Adoration of the Magi painted by an anonymous artist who combined to great effect northern realism with more than a dash of Italian mannerism, Monika Kruch assembled other works of religious inspiration. (42601503), open Mon-Fri.
Bagatelle Chateau and Trianon. Vienna 1815-1848 – the Biedermeier period. Vienna's museums have lent some 250 pieces of furniture, porcelain, paintings and objets d'art for an exhibition of the style which expressed the Austrian capital's changed mood after the turmoil of Napoleonic wars – the Biedermeier style. Bois de Boulogne. Ends August 15 (45012010).

Martigny

Fondation Pierre Gianadda. Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the Italian-born artist living at the beginning of the century in the feverish atmosphere of Montparnasse and Montmartre. Open all days. (26/223978).

Brussels

Palais des Beaux-Arts. Selective Affinities: Paul-Armand Gette and Rene Magritte. Closed Mondays. Ends August 12.
Musée Royal D'Afrique Centrale. Idel Lanchelevici - drawings of Africa.
Fondation pour L'Architecture. Bruxelles Ville d'Architecture 1890-1958.

Antwerp

Rembrandt Bugatti and Belgian Animal sculpture (1860-1930) closed Monday. Ends July 29.

Rome

Galleria Nazionale d'Arte Moderna. Fabrizio Clerici retrospective: drawings and paintings, which move from a group of baroque drawings of Naples to intricate metaphysical works in pastel shades which manage to be simultaneously restful and stimulating. There are also references to Signorelli's apocalyptic frescoes at Orvieto, and the 19th century romantic Boecklin.

Florence

Palazzo Vecchio. The age of Masaccio: 109 works by painters and sculptors who worked in Florence in the golden years between 1401 (the date of Masaccio's birth) and 1440. Included are frescoes, sculptures and drawings by Paolo Uccello, Beato Angelico, Gentile da Fabriano, Donatello, Brunelleschi, Ghiberti and Filippino Lippi, and four paintings by Masaccio himself.

Venice

Palazzo Ducale. Titian. Exhibition marking the 5th centenary of the painter's birth, is the largest for over 50 years. More than 70 paintings are on show, lent by American, Russian and European museums.

Bologna

Galleria d'arte Moderna. Giorgio Morandi retrospective. More than 200 works lent by Italian and foreign museums celebrating the centenary of the painter's birth. Limiting himself almost entirely to still-lifes and landscapes inspired by the countryside around his native Bologna, Morandi has been described as the painter of silence.

Mannheim

Städtische Kunsthalle. Emile Bernard, a painter always in the shadow of Van Gogh and Gauguin is honoured with a retrospective of 170 early paintings. Ends August 5.

Essen

Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power. St Petersburg was the residence of Peter the Great and acted as an intermediary between east and west. The exhibition covers the period from the 18th to the 19th century of Tsars Paul I (1796-1801) and Alexander I (1801-1825) in its role as the political, intellectual and economic centre of Russia. This unique show gives a clear, variegated view of the historical importance of the period of the Russian empire, with paintings, furniture, sculptures, costumes and porcelain.

Leipzig

Museum der bildenden Künste. Max Beckmann (1884-1950): pictures from 1905-1950. Born in Leipzig, the painter taught in Frankfurt's Städelschool from 1917-1930. In this exhibition are works from all over the world, including the renowned Synagoge and his final painting Behind the Stage.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books.
Museum of Modern Art. The first retrospective in America in 25 years marks the 80th birthday of Francis Bacon with 60 works dating back to his figure studies of the 1940s.
Museum of Modern Art. Matisse's paintings and drawings from 1912 and 1913 during the critical period of his Moroccan stay.

Washington

National Gallery. More than 90 prints by Edvard Munch show the Scandinavian artist at his most colourful and prolific, mining his familiar emotional themes of anguish, jealousy, death and loneliness.
Hirshhorn Museum. Paintings, drawings and sculptures from the Bay Area figurative movement of the 1950s and 1960s.
National Museum of African Art. The national tour of artistic and religious objects, much of it sculpture, encompasses nine centuries of Yoruba civilisation.

Chicago

Chicago Historical Society. A House Divided, America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.
Art Institute. Monet's series paintings, including Haystacks, Poplars and Rouen Cathedral, all from the 1890s.

Tokyo

Teien Museum. Perfume Bottles by René Lalique. What better venue than this former imperial residence whose main doors were designed by Lalique and whose Art Deco interior must be rated one of the finest in the world. Closed on alternate Wednesdays.
Bunkamura. The Museum. 500 Years of European Art. Loan exhibition from the Pushkin Museum, Moscow, especially strong on post-impressionists, whose work was seized by the state after the revolution and reviled for its "decadence".

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Louise Gold trying to emulate Ethel Merman. Jerry Zak's desperately bright production comes from is undemanding fare (071 734 8951, cc 071 836 2428).
Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing, Ned Sherrin directs. James Bolam takes over on Monday (071 437 2663).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (071 839 5972).
Shadowlands (Queen's). Four-tissue weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb. Jane Alexander takes over on Monday (071 734 1166/071 439 3849).
The Wild Duck (Phoenix). Peter Hall's revival of Ibsen's tragicomedy champions the great Norwegian's humorous potential. Alex Jennings, David Threlfall and Nichola McAuliffe head the cast (071 240 9661). Ends August 11.
Absurd Person Singular (Whitehall). Robust revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119).
Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May the sobriety of which belies its preproduction high jinks. Sarah Miles left the cast, but Richard Harris stayed to give a star performance as the nobleman who thinks he is an 11th century king (071 867 1116).

New York

Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalor as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.
Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose. (246 0102).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town, West Side Story* and *Gypsy*.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
The Gospel at Colonus (Goodman). The season concludes with a visit from this spirited version of Sophocles, set in an Afro-American Pentacostal church. Ends Aug 12 (443 3800).

Tokyo

Kabuki (Kabuki-za). Performances this month feature mainly younger players. The highlight of the matinee at 11am is Meigetsu Hachiman Matsuri, about a country bumpkin hoodwinked by a wily courtesan. The 4.30pm performance includes a popular ghost story, a genre that is believed in Japan to chill away the summer heat! Earphone guide in English and English-language programme. Opens August 2 (541 3131).
Noh (National Noh Theatre). Double bill of the Noh play, Tori-Oi-Bune (The Bird Scarers) and a Kyogen comic interlude. (Wed at 1pm) (423 1331).

OPERA AND BALLET

London

Covent Garden. The Royal Ballet plays *Swan Lake* today and tomorrow and *Romeo and Juliet* on Monday and Tuesday; there follows a quadruple bill which will include the first performance of two new ballets and a pas de deux featuring Irek Mukhamedov (Bolshoi star and now a member of the Royal Ballet) on Wednesday.
Coliseum. English National Ballet ends a season on Saturday with a performance of *Onegin*.

Bayreuth

Once again, Bayreuth will be the centre of attraction for Wagner fans, appearing from all parts of the world to attend the special atmosphere on the "green hill". This year's festival opens with the premiere *Der fliegende Holländer* in Dieter Dorn's production, conducted by Giuseppe Sinopoli, with two Bayreuth debut singers: Elisabeth Connell as Senta and Barbara Bornemann as Mary. The cast includes Bernd Weikl in the title role, Reiner Goldberg (Erik), Clemens Bieber (Steuermann) and Hans Sotin (Daland). Wolfgang Wagner's 1989 production of *Parsifal* will be sung again by the acclaimed William Pell, in the title role, and conducted by James Levine. Harry Kupfer's Ring production, conducted by Daniel Barenboim, with nearly the same cast, apart from another newcomer to Bayreuth, Inpoul Elming as Siegmund, and Siegfried Jerusalem singing all Siegfried parts. *Lohengrin*, to be recorded for television, has Paul Frey in the title role and will be conducted by Peter Schneider. Festival from July 25 to August 28.

Rome

Terme di Caracalla. A repeat of last year's traditional production of Verdi's *Aida*, performed this year by Aprile Millo, a singer with real acting ability. Stefania Toczyska sings Amneris and Bruno Sebastian Radames, conducted by Nicola Rescigno. Also *Swan Lake* in a new version by Oleg Vinogradov, with Raffaella Renzi and Mario Marozzi (46.17.55 or any branch of the BNL bank in Rome).

Pesaro

Rossini Festival: Auditorium Pedrotti. The Rossini Festival opens with Maurizio Scaparro's production of *La Scala di Seta*, with sets by Emanuele Luzzati and costumes by Santuzza Cali. Oslavio Di Credico, Nuccia Focile and Susanno Anselmi lead the cast, conducted by Antonello Allemandi. (61927).

Verona

Arena. Three operas this week including a successful production of Puccini's *Tosca* by Luigi Squarzina, with excellent sets by Giovanni Agostinucci, conducted by Daniel Oren. Also *Carmen* conducted by Daniel Nazarethi, with Grace Bumbry and Veriano Lucchetti and *Aida*, with Maria Chiara, Fiorenza Cossotto, and Nicola Martinucci (596517).

Palermo

Teatro di Verdura di Villa Casternuovo. Filippo Crivelli's production of Imre Kalman's *La Principessa della Czardas*, conducted by Karl Martin, with Elena Zilio, Walter Donati and Silvia Baleani (584834/6884137).

New York

New York City Opera. The season opens with *Le Nozze di Figaro* in John Copley's production conducted by Scott Bergeson with Maureen O'Flynn as Susanna and Dean Peterson as Figaro. Mark Gibosn conducts *Madama Butterfly* in Frank Corsaro's production with Elizabeth Holleque in the title role and Stephen O'Mara as Pinkerton. New York State Theatre, Lincoln Center (307 7171).

Washington

Australian Ballet. Performances of *Spartacus* alternate with *Suite en blanc* and *Giselle*. Kennedy Center Opera House (467 4600).

The pulling power of porcelain

China-mania was how Daniel Defoe coined the vogue for Oriental porcelain, predominantly Chinese blue and white, which swept the courts of Europe in the mid 17th century. Porcelain became a requisite of every grand house, much as "japanned" lacquer chests had been to an earlier generation, and its accumulation became obsessive. Queen Mary had some 801 pieces at Kensington Palace alone. Augustus the Strong, a manic collector if ever there were one, was obliged to buy and then build a palace to contain his porcelain, and the cellars were fitted out to hold even more. Such was the value placed on these exotic, fiendishly expensive marvels that he happily swapped 12 large Chinese jars for a regiment of dragoons.

The relatively discreet display of blue and white above doors and chimneypieces gave way to fantastical massed arrays as at Charlottenburg and Orianenburg, where tiers of porcelains lined the galleries like wallpaper. The change came with the advent of the brilliantly coloured enamelled porcelains from Japan. Our forebears, used to blue and white, celadon and crude maiolica, were enchanted by the translucent jewel-like colours and pure milky-white *nigoshide* bodies of Kakiemon. Japanese porcelains, and Kakiemon in particular, became the most highly prized and valuable in Europe.

How these often exquisite wares were received, perceived and emulated in the West is the tale, properly told for the first time, of an excellent exhibition in the new Japanese galleries at the British Museum (until November 4). "Porcelain for Palaces: The Fashion for Japan in Europe 1650-1750" comes to us thanks to the Oriental Ceramics Society (and sponsors Fujitsu), which first reawakened interest in Japanese export porcelain in Europe, America and Japan itself, through a seminal exhibition of 1956. Its scholarly resources have been trawled again to present another lively and provocative show.

No attempt is made to offer a representative overview of Japanese ceramics. Rather, the idea is to show what proved to have a profound influence on European taste and manufactures. The exhibits give witness to the extensive stylistic cross-fertilisation between East and West. Arita prototypes are shown alongside their vast and various progeny, in faience and in porcelain, the secret of true porcelain having been rediscovered at Meissen in 1708.

Dutch trade with the fledgling Japanese ceramics industry began as a result of the difficulty in obtaining wares made to European specifications from war-ravaged China. The Dutch East India Company, along with the Chinese (who happily traded with the rest of Europe), were to retain the monopoly of trade with Japan until the opening of the country in 1854. The trade in porcelain lasted less than 100 years, peaking around 1720 to fade out 20 years later in response to new competition from China and Europe.

Japanese porcelains offered a boldness of execution and an asymmetry of design in their idiosyncratic adaptions of Chinese wares. At first in homage to their rarity, and then as a means of heightening their decorative impact, the West graced their most valued pieces with elaborate ormolu mounts. More often than not the compliment ends up by gilding the lily. A Kakiemon carp finds himself encased stiffly upright in Louis XV leaves. Gold candelabra pour out of a lion's mouth like smoke from from a dragon; here the ormolu does more to conceal than to enhance. More bizarre still is the elephant given two gold monkeys and a clock to carry on his back.

Sparsely and elegantly decorated Kakiemons are the glories of the show. The debate continues here as to what can be attributed to the Kakiemon kilns (apparently not the famous "Hampton Court" hexagonal jars, for one instance). Whatever their source, the finest of these ceramics constitute the supreme achievement of the Japanese potters' and enamellers' art. In the 18th century, they were the most imitated and widely adapted Oriental porcelains.

What different ages and different countries prized in the various productions of Arita, and how European and Oriental shapes were gaily intermingled with a galaxy of unrelated motifs from both East and West, is the revelation of the show. In the first half of the 18th century, the Kakiemon wares were highly favoured. By the second half, the vogue was for the heavier gold and red Imari wares. The Italian factories seem to have had little interest in Kakiemon, and no European factory took up celadon with gusto. Is it simply due to the vagaries of trade routes that the formal "Presentation Imaris" found its way mostly into German collections?

Intriguing, too, is the discovery that even in 18th century Europe there was a notion of "Old Japan," a sense that antique porcelains were superior to contemporary pieces. The term crops up again and again. Just as the French tired of "Old Japan" around 1750, the English manufacturers, beginning with Chelsea, were to take it up enthusiastically. New shapes as well as patterns entered the repertories. One Imari-style Worcester punch pot of around 1775 is more a marvellous melting pot of two cultures. The globular body is painted with boldly stylised half-chrysanthemums; under the spout is a running fox and the legend "TALLY HO."

It is instructive to find case studies on show, of popular "Hampton Court" jars and Quail pattern pieces, where Japanese prototypes are seen beside a host of derivatives and adaptations, including Chinese blanks painted by Dutch enamellers. The purist period of accurate imitation proved very short. (Meissen craftsmen had access to the Dresden royal collection, and those at Chantilly, to the collection of the Prince de Conde.) After about 1750, adaptations became increasingly free, and the source of Oriental shapes and patterns unimportant. Later *japonaiseries* owe as much to Meissen and to Chinese copies of Imari as they do to Japanese originals.

Old Imari patterns were revived at Derby and Spode in the 19th century, and here is a typical 1810-25 tea set to illustrate the point. As John Mallet writes in one of the catalogue essays: "What had reached reached Europe as a decoration for the palaces of kings and noblemen was cheerfully vulgarised to suit a thousand suburban tea-tables."

One might add that the taste for Old Japan is far from dead in all markets, whether for the originals, the brightly enamelled bijou animal figures made by Herend, surely a Kakiemon derivative, or for the merchandise found in the lamp and china departments of the nation's department stores.

Susan Moore

From left: Blue and white flask made in Japan in 1670-90; Japanese bowl in an Imari palette; massive Kakiemon jar.

A chip off the 30s: Brian Cox, Ian McKellen and Joyce Redman

Richard III

LYTTELTON THEATRE

The age of dictators – The Devil's Decade, as the Thirties have been called – makes a horribly plausible setting for Shakespeare's agit-prop comic strip of blood-curdling tyranny and Machiavellian manipulation. Bob Crowley's design gives us a darkling plain, alternately nightmarish (in this most nightmare-obsessed of plays) and Kafakesque: all space and blackness from which march storm-troopers by torchlight and a platform draped with the banner of St George glides on bearing the jackbooted demagogue: an emptiness, like an empty soul, ready to be filled by the first opportunist.

There is a general murmur that Ian McKellen's Richard is a continuation of his Iago. To judge this performance on its own merits, however, is to admit a chillingly convincing psychopath whose gaze, raking the audience, has the dead-eyed obliviousness to individuals shared by all visionaries: saints, poets and mass murderers.

This Gloucester has none of the expected jokey confidentiality. The accents of the officer class, both clipped and drawling, as much as the khaki trench coat, bespeak the military professional. The humour lies in Richard's actions, in the black irony implicit in his career, rather than the leering wit with which the character usually ingratiates himself. The handicaps of this "bottled spider" amount to a very slight hump, a useless arm and a withered hand. The ramrod soldierly bearing cracks only with the odd tic, the occasional facial twitch.

The updating in Richard Eyre's production (the ceremonial archaism of the coronation, with black velvet and tights excepted) throws up many fresh pleasures: a Duchess of York (Joyce Redman) resembling Marie of Rumania in later years; a little prince in Christopher Robin shorts and jersey, playing with a toy train; a Lady Anne (Eve Matheson) still in evening gown and pearls when she returns as a ghost to dance with young Richmond as he dreams of victory on the eve of Bosworth.

The bustle of power politics is caught when a chamberlain who looks like Chamberlain (apart from David Bradley's unacceptably modern hair-length), a plummy-voiced prelate and morning-suited civil servants gather in the Tower over red despatch boxes. Hastings' gradual isolation and sudden execution are intercut with the garotting of Rivers and Grey at Pomfret, the reality behind the rhetoric, the blood beneath the bureaucracy.

For modern tastes the trouble lies in the play itself. The upward career of a ruthless dictator rings vividly true, down to the mass chant of "A-men! A-men!" (read "Sieg heil!" or "Duce!"), down to rewriting history and a show of coyness when the manipulated prize of power is offered by bluffers, bullies and the coerced. Here Richard even heaves the rigid body into a clenched-fist salute at the climax of a resistible rise that anticipates Brecht's *Arturo Ui*. But thereafter the catalogue of crime and sanctimoniously engineered punishment tends to sound simplistic.

The National's production avoids the trap by the grim seriousness of McKellen's playing. The wooing of his niece through her mother results in a scene with Clare Higgins' Elizabeth Woodville (in marvellous form) that combines the high technique of an operatic duet with the tension of a fencing match. This is acting of integrity, intelligence and excitement.

The cost is a Richard for whom we feel no affection, no furtive liking. Apart from an initial hint of embittered melancholy, McKellen refuses to play for sympathy. The gain is a gripping performance of the title role and a coldly compulsive reading of the play. The flickering candles cast little warmth: the trio of mourning noblewomen are efficient but unharrowing. Brian Cox's "deep, revolving, witty" Buckingham convinces as none of these entirely, hampered by a stocky build and fuzzy beard that make him look like Queen Victoria's Lord Salisbury or even Lear – Edward, not King. But watch this space.

Martin Hoyle

Schumann's Faust

CARAMOOR FESTIVAL

The demise of PepsiCo Summerfare which was America's closest approach to what Europeans would recognise as a festival has left a hole in New York's summer. It was there, on a campus with five good theatres, that the vanguard companies theatrical, dramatic, and operatic, from both sides of the Atlantic, were on show; that Roger Norrington presented his "Beethoven Weekend"; that Peter Sellars introduced his Mozart "trilogy."

But PepsiCo had promised funding for only a decade, and the decade ended last year. The Caramoor and the Waterloo Festivals continue. Both of them are open air,or semi open (a courtyard, an opensided tent or shed) affairs, with the attendant acoustic drawbacks to set against alfresco pleasures.

Waterloo is a New Jersey 18th and 19th century village, carefully restored, in broad parklands beside lakes and a canal. Caramoor is an art-loving banker's country villa, in verdant Westchester county, with a "Spanish" cloister for chamber music and a "Venetian" garden theatre for larger events. At both, the repertory is largely conventional, the roster of performers mainly familiar. But there are occasional "festival" events.

At Waterloo I heard the Gluck-Wagner *Iphigenia auf Tauris*; at Caramoor, Refice's *Cecilia* and, this year, a noble performance of Schumann's *Scenes from Faust*. Schumann himself was opposed to a consecutive performance of his *Faust* scenes, which were written at intervals across a decade, except as "an occasional curiosity." Britten conducted a memorable account of them (recorded later by Decca, and now on CD) at the 1972 Aldeburgh Festival. And the Caramoor performance was also a properly "festival" event: John Nelson, the conductor, had inspired the large forces with his belief in and love for the work.

Earlier this year, he had conducted Schumann's *Faust* in the Leipzig Gewandhaus; a rehearsal was delayed so that the Leipzig players could participate in a freedom demonstration. And Faust's lines before his death, "A man only earns freedom who masters it daily...An active multitude I long to see, standing on free ground amid a free people," rang out with new urgency. Egbert Junghanns, the Leipzig Faust, also sang the role at Caramoor accurately, ardently, stirringly. I look forward to hearing him again, in more favourable acoustics.

The Gretchen was Christine Brewer (St. Louis' Ellen Orford), whose soprano is sure and well-focused; she may become an important singer if she conquers an occasional tendency to push and harden her tones. When she sang tenderly, the sound was beautiful. John Cheek was a confident Mephisto. David Hamilton, the Ariel, is another talented singer who needs persuading that easeful lyricism wins more than force. Ai-Lan Zhu, Glyndebourne's Pamina, was Sorge and the Magna Peccatrix, delicately exact but thin of timbre.

The orchestra was New York's excellent Orchestra of St Luke's (of which Roger Norrington has, from next season, been appointed conductor).

Schumann's scoring often brings Berlioz to mind, and the piece was very well played. Nothing can redeem the dreary, academic counterpoint that fills most of the finale except transfigured playing and singing of the lovely closing pages. This was achieved.

Andrew Porter

Verdi Requiem

ST PAUL'S CATHEDRAL

The final event of the 1990 City of London Festival was Wednesday night's impressive account of the Verdi Requiem by the Philharmonia Orchestra and Chorus. In Wren's grand spaces not even the most devout performers can ever hope to provide a fully rounded experience of a work of this kind; listening to the Verdi there gave one an intimation of what it might be like to hear it under the influence of a powerful hallucinogen.

Fast-moving passages blur; the bass-lines seems at times amplified to the point of cranial penetration; some treble-clef lines take a curiously long time to fall into place, while others soar far more proudly than usual. After a while, when the ear has learnt to adjust expectations, the experience loses much of its oddity – and indeed, certain passages (the slow-rising sequences of the "Lacrimosa", the octave-duetting in the "Agnus Dei") gain a new and beautiful radiance.

Above all, the vastness of the place seemed to add a character of peculiar awe to those passages where pleading humanity is suspended over a terrifying void.

The success of the performance over the earlier-mentioned odds was owed largely to the virtuoso conducting of Yury Simonov, who spaced out the (fine) playing and (excellent) choral singing with a master's regard for pacing and placing; and to the top three voices of the solo quartet, all of them inspired to float their tones with uncommon eloquence and, at times, uplifting radiance. (The fourth voice, that of the bass Aage Haugland, sounded huge but unwieldy, and often passingly out of tune.)

Arthur Davies, the tenor, was in exceptionally fine form, free, ringing, supple; Linda Finnie, the mezzo, was at once passionately urgent and subtle in her shadings.

The indisposition of the Russian Maria Guleghina may have been disappointing to begin with, but her substitute, Jane Eaglen, sang out with such splendid dramatic-soprano authority, in long lines truly turned, that soon one quite forgot to mind.

Max Loppert

Soviet dance in Italy

In the bar of the Teatro Margherita in Genoa there is an attractive model of the rebuilt Opera House, the Carlo Felice, which remains obstinately closed because of economic problems and political bickering. As a result, performances still have to be held at the Margherita, which suffers from a narrow stage. An indefinite strike by opera-house staff threatened to put paid to the whole of the brief dance season this month, but in the end a few performances were salvaged, all receiving the rare privilege in Italy of live orchestral accompaniment.

Those that appeared included a group of Soviet dancers from various companies collectively called L'Ecole Russe. Their stated aim of restoring the Fokine heritage in Russia arouses immediate sympathy, and the announcement of Petrushka and Le Carnaval raised high hopes: these were, however, soon dashed. In the first place, only a solo from Petrushka was to be performed, and when the time came the costume was not the original one, there was nothing to indicate Petrushka's cell, the lighting was lurid and the choreography was so much altered that it even included *pirouettes sautées*

I understand that in Russia they do perform the complete work, so the organisers of the Italian visit are largely to blame. In Le Carnaval the costumes were tawdry, the lighting nightmarish and most performances insufficiently delicate.

Instead of giving the full-length *Le corsaire* in Genoa - where it was cancelled on account of the strike – the Riga Ballet unexpectedly brought a double bill to the Rome Summer Festival at the Teatro Tenda Strisce. Alexander Lemberg's *Carmen* is best forgotten, but the *grand pas* from *Paquita* was beautifully done, with style and brilliance from all the dancers, who were immaculately led by Lit Beiris and Marian Butkhevich.

The most grandiose event of those timed to coincide with the World Cup was undoubtedly the one organised by the Rai, the Italian state broadcasting service. Over 150 dancers of the Bolshoi descended on the skilfully lit Circus Maximus for an all-Grigorouich programme made up of extracts from seven ballets extolling the "hero."

Inevitably, the proceedings opened with a substantial except from *Spartacus* which made a strange effect in that setting, the Romans not being exactly depicted in a flattering light. Yuri Vasyuichenko appeared as Spartacus and Natallia Besmertnova as Phrygia, while Nina Semizorova and Mark Perotokin gave striking performances as Aegina and Crassus.

Freda Pitt

ARTS GUIDE

July 27-August 2

MUSIC

London

Java and Bali: a celebration in dance. Queen Elizabeth Hall (Sat) (928 8800).
Beatles Night. Songs made famous by the famous band in the 1960s are re-created by the King's Singers. Barbican Hall (Sat) (638 8891).
Warsaw Sinfonia conducted by Sir Yehudi Menuhin perform works by Mozart. Barbican Hall (Sun) (638 8891).

Paris

Festival estival
Nash Ensemble. Haydn, Franck, Ravel (Mon). Auditorium des Halles.
Quatuor Anton. Schubert. S. Cubaidulina, Mozart (Tue). Auditorium des Halles.
Agnes Mellon, Monique Zanetti (sopranos), Kaori Uemura (viola da gamba), Christophe Rousset (organ). Couperin (Wed).
Musica Treize conducted by Roland Hayrabedian. Ohana, Berio,Xenakis, Nono (Thur). Nôtre-Dame du Travail, 59 rue Vercingetorix, Metro Pernety (48049801, answering machine in English - 47208898).

La Roque-d'Antheron

Piano festival including all Beethoven's sonatas. Concerts by Nikita Magaloff, Kenneth Gilbert, Nelson Freire, Gulda, Oppitz, Orozco, Bachkirov and with Brueggen, Herreweghe as conductors. August 1-23 (40411127).

Brussels

Festival Midis-Minimes: Jazz and classical lunchtime concerts at Eglise Saints Jean et Etienne Minimes.
Summer festival: Brussels Festival Orchestra conducted by Robert Janssens with Greta de Reyghere (soprano), Claude Massoz (baritone), World Youth Choir '90 conducted by Denis Menier. Brahms's German Requiem (Fri). Cathedrale Saint Michel, Parvis Sainte Gudule.
Festival of Flanders. Bruges, St Walburgakerk. New College Choir Oxford, The King's Consort conducted by Edward Higginbottom. Monteverdi's Vespro della Beata Vergine (Sat) (050/44 86 86.
Bruges, St Jakobskerk. The King's Consort conducted by Robert King with James Bowman (counter-tenor). Italian Baroque Music. (Sun). Capilla Vocal Al Ayre Espanol and Mateus and Eduardo Lopez-Banzo Instrumental Ensemble. 18th Century Spanish music (Mon) (050/44 86 86).

Weimar

Cultural Festival (July 16-Aug 11): Weimar, the centre of German classical culture, is staging the first pan-German festival, profits from which will go towards reconstruction of the city. The festival is directed by Kari Steff-Wolfsjaeger and staged in the original houses of Goethe, Schiller, Liszt and Bach, who are the central themes of the four-week event. (0228/693969; fax 695158).

Schleswig Holstein Festival

This year's 5th Schleswig Holstein festival, has been enlarged to nearly 180 concerts in 32 different venues. World class musicians will be performing in towns and villages from Flensburg in the north to Lüneburg in the south. There will also be master classes. The festival's own orchestra, with 120 members from 22 different countries, will train throughout the summer in Salzau with five different conductors – Sir Georg Solti, Christoph Eschenbach, Jiri Belohlavak, Paavo Berglund and Semyon Bychko – and will be performing 10 concerts during this festival.
The programme ranges from Bach to Beethoven, Brahms to Bruckner, Mahler to Mozart, Tchaikovsky to contemporary composers. Until August 19. Information: Kartenzentrale Schleswig Holstein Musik Festival Postfach 3840, 2300 Kiel Tel (0431) 567080.

Barcelona

Grec 90: This outdoor festival, mainly staged in Barcelona's Greek theatre, is coming to an end. The Quartet Barroc will be playing Vivaldi, J.S. Bach, Oliver y Astorga on Tuesday. Placa del Rei (318 25 25).

Rome

Palazzina Corsini (Villa Doria Pamphili). Katia Ricciarelli singing Beethoven, Mozart and Wagner with the Ferrazzano Festival orchestra conducted by Piero Bellugi (Sun) (3291579).

Ravenna

Ravenna festival. Ends July 31, with Ann Murray, Carol Vaness, Samuel Ramey and Gosta Winbergh singing Mozart arias accompanied by pianist Robert Kettelson (Tues) (32577).

Siena

Festival Incontri in Terra di Siena. Chamber music concerts organised by cellist grandson of the novelist Iris Origo in and around the family home at La Foce. Ends August 4. (0578 64050).

New York

Mostly Mozart Festival. The Classical Band conducted by Trevor Pinnock, with Lowell Greer (horn), play Schubert and Mozart. Mostly Mozart Festival Orchestra conducted by Gerard Schwarz with Itzhak Perlman (violin) play Mozart and Schubert. Cleveland String Quartet in a programme of Mozart and Schubert (Thur). Avery Fisher Hall, Lincoln Center (874 6770).

Washington

National Symphony Orchestra conducted by Randall Graig Fleisher with Michael Feinstein (piano and vocals). Music from Hollywood. (703 255 1986).

Chicago

Ravinia Festival. Russell Sherman (piano) in a Beethoven recital (Mon); Chicago Symphony Orchestra conducted by Valery Gergiv with Yuri Bashmet (viola) in music by Prokofiev, Schnittke and Tchaikovsky (Thur). Highland Park (728 4642).

Tokyo

Ivry Gitlis (violin) plays Bach and Bartok. Casals Hall (Mon) (496 0959).

The School for Scandal

HOLLAND PARK

Forget the screams from the footballers on the adjoining field; ignore the heavy drone of over-flying aircraft; put out of mind the mewings of the peacocks, like so many demented cats, and enjoy a classic English comedy in a classic English setting.

The summer theatre at Holland Park might lack the bosky wildness of its rival in Regent's Park but it offers a protective awning and the 18th century facade of Holland Park House for impressive entrances and exits. Rarely can *School for Scandal* have been presented so close to its original milieu, and with lavish costumes (although surely from a few decades later), and atmospheric music off, anyone who likes to be soothed and reassured at the theatre can risk the weather with confidence.

Director Peter Benedict has taken few gambles with cast or action. The wits and fops and scandal-mongers are ponderously static as they lob the famous lines from one to the other with the slow precision of a rally at a tennis garden party; but they all try to make the most of their cameos, not least Don Gilet as the mainly mute servant, who uses his eyes to provide a cynical commentary on the proceedings.

Fiona Evans, stepping in at the last minute as Lady Teazle, has learned London manners very quickly, but her scenes with Nicholas Smith, a sympathetic Sir Peter, are particularly strong. The underlying affection between the couple is apparent from the start, making the subsequent dramas seem insignificant, but then this is a production which aims to please rather than to challenge. Even the hypocritical Joseph Surface somehow comes over as not a bad sort, mainly because Neil Mullarkey is an agreeable performer.

The pace picks up noticeably when Mark Greenstreet appears as Charles Surface, dressed in hunting pink and bringing all the noise and good humour of the public bar into the prattling drawing rooms. Amanda Boxer, Robert Aldous and Charles Grant stay just the witty side of self-parody as the gossips, and Colin Starkey has the right amount of ballast for Sir Oliver Surface. In short an agreeable, undemanding evening, which hardly probes character, or provides a critique on the idle rich of Georgian London, but which delivers exactly what the punters want on a warm summer evening.

Antony Thorncroft

FINANCIAL TIMES

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Friday July 27 1990

The ICL deal and Europe

THERE IS an obvious temptation to view Fujitsu of Japan's impending acquisition of ICL, the largest British-owned computer maker, as another case of UK industry surrendering to superior international competition. On the continent, furthermore, the deal has been deplored as a blow to European efforts to strengthen its position in information technology. However, both interpretations appear unnecessarily gloomy.

ICL has made an impressive recovery since its near-collapse in 1981 to become Europe's most profitable computer company. However, if it is to continue to grow, it needs a strong partner. STC, its current owner, lacks the means or will to support the company's ambitions. A merger with another European computer maker might seem an appealing option. But ICL's efforts to team up with Olivetti of Italy and Nixdorf of West Germany led nowhere. In any case, mergers of equals in the same sectors have had a mixed record in Europe, partly because they have too often combined companies with the same weaknesses.

As well as allying ICL with a financially and technologically powerful group, a deal with Fujitsu offers several advantages. The companies already collaborate closely at a technical level, and Fujitsu's strengths in electronics hardware neatly complement ICL's expertise in software and systems integration. The acquisition also promises to give the British company much-needed continuity of ownership by a parent committed to long-term international expansion.

Cultural differences

However, skill and patience will be needed to realise these potential benefits. Japanese companies' experience with foreign acquisitions is limited, and the cultural differences between them and western business remain wide. The gap has been bridged successfully at many Japanese-owned assembly plants in the west. But creating a satisfactory management relationship with an established foreign concern poses a stiffer challenge. To centralise most important decisions at headquarters – a tendency among Japanese companies – would invite disaster.

Fujitsu is, presumably, aware of the risks. Much of ICL's value lies in its engineering creativity, which would suffer if the company were simply milked of existing technology or subjected to heavy-handed treatment from Tokyo. Fujitsu's own commercial interests in Europe should also give it a strong incentive to show that ICL can prosper under Japanese ownership.

European failings

The case made against the deal is that it is a betrayal of Europe's quest for technological independence. Yet in spite of extensive restructuring, subsidies and trade protection, much of European-owned electronics manufacturing remains weak and only marginally profitable. In markets such as consumer electronics and semiconductors, the industry's record of product innovation and marketing still lags Japan, while the crisis at Philips of the Netherlands raises serious questions about managerial competence.

Furthermore, Europe has failed to make the most of its strengths in software and systems, where it has a clear comparative advantage over Japan. Valuable talent has been tied up in commercially unproductive defence work, while national telecommunications monopolies have stifled the growth of innovative information services. Europe's information technology industries would gain much from policies which stimulated the growth of dynamic, competitive markets in these areas.

But in the longer run, other manufacturers may have little choice but to follow ICL in turning to Japanese – or American – partners to supply hardware, technology and capital. Such alliances, provided they are properly structured and managed, offer a more promising way to build up a strong technological base than continued reliance on subsidies and trade protection which hurts consumers. It is more important that Europe's economies have access to the most advanced electronics products and technologies than that the producers of them be European-owned.

Little progress in Gatt talks

THIS WEEK'S Uruguay Round meeting in Geneva has not produced tangible breakthroughs, but it has left an inescapable message. The critical moment has now arrived. If they want a successful and substantial outcome after four weary years of negotiation, governments must resolve their differences quickly and decisively.

Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade made this plain in the uncharacteristically blunt language of his summing up, in which he rightly warned that the Round was now behind schedule. He told the leading trading powers to stop "playing hide-and-seek" and get down to business.

Wide differences remain in almost all the principal areas under discussion. Final agreement is still possible, but only if all participants adhere in good faith to the timetable that has now been set out for completing the Round by December.

Agreement on the basis for reforming world trade in agriculture and textiles is among the most urgent requirements. The first will oblige the EC to accept the need for specific policy commitments; the second will require the US to back away from its unpopular demand to restrict textile trade further through the imposition of global quotas.

These are political decisions, because they will limit future room for policy manoeuvre. They cannot be taken by the senior civil servants who have dominated the trade negotiations so far, unless they receive a more flexible negotiating mandate.

Preparing for change

For example, the US wants to free trade in services. It must be clear to President Bush that he will fail in this objective unless he can muzzle his shipping lobby. Some evidence of a more statesmanlike approach emerged in Tuesday's meeting of EC farm ministers in Brussels, which accepted the need both to prepare farmers for change and to flesh out the Community's commitment to agricultural reform.

Yet the decision by the US and EC to suppress all discussions of substance in Geneva this week has understandably infuriated many other participants and not only those from developing countries. Complaints also came from industrial countries such as Switzerland and Austria, as well as from eastern European countries who are embarked on far more courageous reforms of their own.

Close to failure

Two arguments were advanced for stifling the debate in this way. One was that it was dangerous to risk an unseemly row so soon after the positive message from the Houston Summit. The other was that opening up substantive debate would only deepen existing disagreements and so set the whole process back still further. These extraordinary arguments go to show how close the Round is to failure.

When they consider the concessions they must make to set the Round back on the road, ministers, including heads of government, will have to ask themselves a question: do they want to be remembered for having wrecked the trading system that helped produce the prosperity which brought so many of them into office?

The leading industrial powers must also not forget that they cannot just ignore the needs of developing countries. The Gatt is no longer a club for the rich alone. There can be no agreement on liberalising trade in services or on tighter protection of intellectual property rights, if the US and EC are not prepared to open their markets to developing country farm products and textiles.

Japan, which has so far made few serious concessions of its own, also has a key role to play. Its rice import ban must be put on the table, and its public procurement comprehensively liberalised.

Despite the complexity of the agenda, an agreement is still within reach. All that is required is political will. If world leaders fail to summon up that will, they will have scored the first big failure in a decade that opened with great promise. The consequences of that failure, in terms of lost economic growth and commercial conflict, would endure well into the next century.

David Goodhart and **Andrew Fisher** on the rebuilding of the East German economy

On your marks, get set, wait

Only the most naïve East Germans expected a significant improvement in their country's economic fortunes within weeks of the currency, economic and social union with West Germany on July 1. None the less, the many Germans, East and West, who had hoped that on that day the starting pistol would crack and many of the obstacles in the way of an economic take-off would fall away have been disappointed. Economic union is happening, but at a surprisingly leisurely pace.

The only visible changes in East Germany since July 1 are the new and second-hand car marts (western) and a rash of road-side snack bars. There is little evidence that a start is being made on the construction projects that should be turning East Germany into a giant building site.

Indeed the immediate effect of economic union has been to throw existing transitional problems into sharper relief and to create a few unpleasant surprises of its own. In the latter category belong the sudden collapse of agriculture and the unexpected bottle-necks and price rises in the retail trade which have made many East Germans feel poorer since July 1.

Both problems are now being addressed, but at a price. Another DM1bn (£341m) is being spent on farm support, on top of the DM6bn already pencilled in, and a five-point plan announced on Tuesday will provide incentives to the state-owned shops to use more domestic groceries and consumer goods, initially shunned by many shoppers.

A further jolt has come from the higher than expected pay rises in several industries, which have narrowed the gap with West German wages (still on average at least twice as high) before any productivity catch-up. The West German unions, which guided the talks across the table from the West German employers' associations, argue that they have merely stabilised real incomes, after taking account of higher tax and social security payments, and prevented a mass-migration westward.

But one official of IG Metall (West) admitted in Leipzig that the main fear is losing negotiating strength in West Germany thanks to a low wage zone in East Germany. The same official provided some consolation to employers and politicians by saying that the much-criticised one-year job guarantee, included in the East German metal industry agreement, would be impossible to enforce.

Unemployment is rising at about 50,000 a week but is being held down by a much sharper rise in short-time working, for which the Government picks up two-thirds of the wages bill. Short-time working, which will soon spread to 1m workers (out of a workforce of 8.5m), has been criticised for expensively maintaining many jobs which ought to go.

However, in August and September, when the bankruptcy wave is likely to begin in earnest, the Governments of Bonn and East Berlin will be happy to retain anything which keeps down the "headline" unemployment figure.

The real difficulty for those Governments, partly of their own making, is that several unresolved transitional problems, looming long before July 1, are acting as a brake on the creation of new businesses and jobs and on inward investment by foreigners.

● **Property:** German efficiency is here in direct conflict with German legalism. The agreement reached last month between Bonn and East Berlin that former owners of property forcibly nationalised after 1949, mainly West Germans, should not merely be compensated but should have the option of repossession, might be correct but it has had a disastrous effect on new business formation.

At a meeting last week arranged by

Mr Hans-Dietrich Genscher, the West German Foreign Minister, to feel the economic pulse in his home town of Halle, East Germany, both West German bankers and budding Halle entrepreneurs complained bitterly that no property was available for new businesses.

The local authorities and towns can sell almost no land or property until the ownership question is resolved, despite their own mounting debts. Most of the 8,000 larger companies, owned by the Treuhand (trust) in East Berlin, have now been given possession of their own land but also cannot sell it or even use it as collateral for a loan. "As long as the (ownership) relations remain unclear, we have to hold back," says Mr Hans Jürgen Kohler of the Commerzbank lending department in Frankfurt.

As former owners do not even have to have their applications in until January next year, after which months if not years of wrangling can be expected, the problem is not going to go away without some political initiative. Thankfully the buying back of small companies forcibly nationalised in 1972 should be completed sooner – already more than 1,000 of the 9,000 current claims have been resolved.

● **Old debts:** the East German corporate sector, which was not allowed to retain profits under the old regime, carries debts of about DM130bn. Many companies which should survive, or be acquired, will collapse unless their debts are forgiven. But such forgiveness will present an enormous bill to the Government (ultimately Bonn); hence the indecision on how much debt can be written off.

The existing debt is being managed by Deutsche Bank and Dresdner Bank, which have now taken over the East German state banking system, but they, like Allianz, the West German insurer which has absorbed the state insurance system, have refused, understandably, to take over the relevant debts.

One compensation for East German companies is that they are not having to pay interest on their old debts until the issue is resolved. The debt problem also should not interfere with the thousands of joint ventures with western (mainly West German) companies. Most of the joint ventures being established are legally independent of the parent, and thus carry no responsibility for parent company debt.

● **Liquidity:** between a third and a half of the 8,000 larger companies, most of which used to belong to the now dissolved Kombinate (conglomerates), are expected to go bankrupt. Many companies which could survive will not unless the Treuhand gets right its policy on liquidity credit.

The Treuhand, set up in February to oversee companies' transition to the market system and if possible privatise them, was first criticised for lack of vigour in privatisation and is now coming under fire for its rather bizarre policy on liquidity credit.

About two-thirds of all companies need at least temporary liquidity credits to help overcome the shock of losing many of their markets, to get their costs into line with lower prices, or to cover the growing unpaid bills.

They applied for more than DM15bn in July alone and the Treuhand, which prior to receiving income from privatisation has its own credit limits tightly controlled from Bonn, decided that every company should get a Treuhand guarantee for only 41 per cent of what it asked for.

Such an indiscriminate policy has punished the virtuous who asked for just what they needed and rewarded those who asked for much more. It has also wasted money on some companies which should have withered away immediately.

The August guarantee is likely to be even stricter and the Treuhand is expected to start refusing it altogether to some companies. In September, when some of the liquidity credit – plus 9.5 per cent interest – must be repaid, companies must provide the Treuhand with a D-Mark balance sheet and a survival plan.

The balance sheets will not make pleasant reading. In the 1948 monetary reform in West Germany, companies were able virtually to wipe out their debts and revalue upwards their assets. This time the East German mark debts have been halved but most assets have been written down to almost nothing.

West German commercial banks, facing growing criticism for their risk-averse approach to East Germany, have insisted that without a Treuhand guarantee they are only prepared to lend when D-mark balance sheets are available for scrutiny. It is thus something of a mystery why the Treuhand has not pressed for reliable corporate data much sooner.

A brisker approach is expected from the new management – Mr Detlev Rohwedder, boss of Hoesch, the capital goods manufacturer, who is head of the supervisory board and Mr Reiner Gohlke, former boss of the West German Federal Railways, who is head of the executive board.

There remains a strong political incentive for the West German Government to hold off a full-scale crash in East Germany until after the December elections, but that will require more money, or at least a more intelligent use of existing funds: scrapping the countrywide 12 per cent investment grant for something far more focused, for example.

Relations between Mr Walter Romberg, the East German Finance Minister, and Mr Theo Waigel, his West German counterpart, are already strained. The latter is aware that many West German mortgage holders have already seen interest rates rise from 6.5 per cent to 9 per cent over the past few months and is resisting new cash demands from a lengthening list of East German claimants, including the hospital system, the public housing system, and the city and regional governments.

The dilemma for Chancellor Kohl is that he must either admit that the costs of unity are higher than West Germans have been led to expect, or live with increasingly sullen East Germans whom nobody wants to employ.

A slow trickle of foreign capital

EAST GERMAN companies are begging for West German or foreign capital, but are still not getting much of either. The complaint of Mr Horst Püschmann, deputy head of the Fritz Heckert machine tools group, is typical: the West Germans, he says, are waiting for us to collapse before picking up the pieces and the foreigners are nowhere to be seen.

That is not quite fair. Non-German companies are rare, but some are there. The British and Americans are most evident in financial services. Overall the French are dominant among EC countries as underlined by Lafarge Coppée's move to take over the largest East German cement producer. The Japanese are sniffing around the electronics industry but not yet biting.

Mr Joachim Lochmann, boss of the CAS chemical plant builder near Magdeburg, in East Germany, is hoping that Dorr-Oliver, a US company that used to own 20 per cent of CAS, will take a majority stake. "The country has to have non-German participation, otherwise the whole development will be warped," he says. Mr Harry Zimmermann, boss of Print-Pack AG, the former packaging Kombinat, says he has interest from France and the Netherlands. But he has lost nearly 50 per cent of his domestic market, thanks partly to the collapse in agriculture, and may still have to repay DM150m in old debts.

The biggest plant of Robotron, the now dissolved electronics Kombinat, at Sömmerda, is still making a profit from selling computers and printers to the Soviets but margins have been sharply cut since July 1. About 1,000 of the plant's 12,000 jobs have been secured through a personal computer joint venture with Aquarius of Taiwan.

There continues to be a steady flow of West German joint venture announcements, although West German businessmen express more confidence in East Germany in opinion polls than in practice – 44 per cent say they want to invest and 82 per cent expect the economy to be buoyant within three years. Given the difficulties in taking over existing concerns, BMW's recent plan to build a machine tool plant on a green-field site near Eisenach may set a new pattern.

It is not hard to see why no one wants to take over the Kali Werra Potassium works, also near Eisenach. The world market is already over-supplied and Kali Werra has 50 per cent too many staff and crude environmental protection. But Mr Eberhard Anders, deputy general manager, points out that it may cost the German taxpayer more to close it down than to keep it open.

OBSERVER

Tennis mismatch

■Why are tennis balls so much more expensive in Europe than in the US?

A spot check yesterday showed that they cost, on average, $1 each in New York. But their dollar cost in European centres was as follows: Paris $1.85, London $2-$2.70, Frankfurt $2-$3 and Milan a hefty $3-$4. This is an absurdly large difference for a product which is exactly the same everywhere and - unlike more sophisticated items - totally untrammelled by regulatory complications.

BTR, the British conglomerate who make the Dunlop and Slazenger brands and are the leading producers in Europe, say three things account for steeper prices: higher manufacturing costs, higher standards set by European sports federations, and bigger retail trade margins.

Whether European balls are, indeed, of higher quality than American and therefore require more exacting manufacture is not something upon which Observer feels competent to judge. But the point about higher retail margins has the ring of truth to it.

What works to the manufacturers' advantage is the difficulty of arbitraging the price difference. Unlike items like cameras or cigarettes which pack a fair amount of value into a small space, you would have to ship a huge bulk of tennis balls from the US to make arbitrage economic. Even so, the US-Italy price gap should be tempting.

Bad measure

■Mr Michel Rocard, the French Prime Minister, has been asked to arbitrate in a row between two members of his government over the correct size of policewomen.

It all began when Mr Pierre Joxe, the Interior Minister, proposed last March that the minimum height of female recruits to the national police force should be increased from 1.63 metres to 1.66 metres.

Not surprisingly, this did not please Mrs Michèle André, secretary of state for women's rights. Despite France's emancipated reputation, female unemployment there runs at nearly twice the rate of male joblessness – 13.4 per cent, as against 7.7 per cent – so Mrs André takes a protective stance.

"Given that the average height of women is 1.61 metres, this is an act of perfect misogyny," she complained. However, Mrs André failed to win Mr Joxe round despite her persuasive reputation, and so she has had to turn to Mr Rocard. She told a French newspaper "Mr Joxe and I do not speak to each other any more."

No hawkers

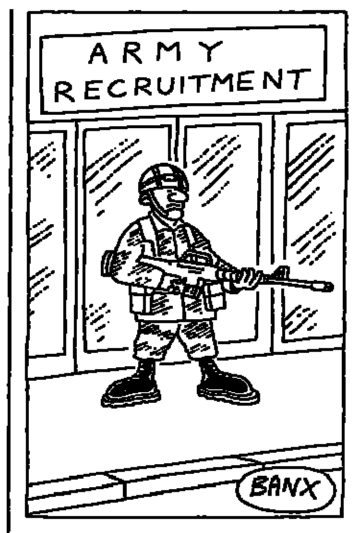
■An unidentified member of the European nobility has evidently fallen on hard times, judging by an advertisement which appeared in last Saturday's Die Welt. Translated, it reads: "PRINCE of ancient noble line desires marriage for business reasons. Letters invited only from very wealthy lady."

Savoury

■The pitfalls of naming brands are legion. General Motors had trouble marketing its Nova to Spanish speakers who were not specially attracted to a car whose name meant "doesn't go."

KP Foods, the nuts and crisps company owned by United Biscuits, may now face a similar problem in the Royal Navy with its Frisps, a potato snack currently undergoing a multi-million pound launch.

Frisp, it emerges, is naval Sassenachs' salty slang for less congenial colleagues from



north of the border.

Surgeon Cmdr Rick Jolly, who last year published a guide to naval slang, chuckled when he learned this yesterday. His book, Jackspeak: Pusser's Rum Guide to Royal Navy Slanguage, says frisp is "an acronym for something worse than a jockroach (a persistent and obnoxious little Scotsman)." But Jolly doubted that the name would hurt Frisps' sales in Plymouth, Portsmouth or even Rosyth. "It will be a good thing for sailors on the messdeck to throw at jockroaches," he said.

Should not KP's detailed research have uncovered this little gem? Iain Paton, KP's Glaswegian marketing controller for new product development, was sporting on being told the bad news. "That fits me to a T," he said.

Bank figure

■At a time when many figures in British public life are wobbling or shrinking, one person who seems to be growing in stature is Robin Leigh-Pemberton, the Governor of the Bank of England.

The change is particularly striking for those who remember the inauspicious beginnings of his term in office seven years ago. Apart from taking the trappings of an English gentleman almost to the point of caricature (Eton, Guards, the Bar, country gentry), he seemed indecisive and even on some occasions ill-informed.

But he has become a much more confident and articulate figure now. He speaks with the assurance of one who knows his stuff, and whose sensibilities have been hardened by the anvil of public life.

He has, of course, reached the point where he has been around longer than many top people in the City, in Whitehall and on the international central banking circuit. But the issue that really seems to fire him up is European monetary union where he clearly senses that he is at the forefront of potentially momentous changes, and about which he knows as much as anybody.

The fact that the Bank of England could break free from Whitehall and achieve greater autonomy as part of an independent EC central banking system may have something to do with it. One's only fear is that by championing causes like the Hard Ecu Leigh-Pemberton is associating himself too closely with all the bizarre ideas Whitehall is dreaming up to stall the integration process.

Incidentally, a senior Japanese central banker yesterday enumerated the qualities of his profession as follows: "We are cautiously optimistic, constructively evasive and thoughtfully bold."

Capped

■A reader recently in Bombay reports that a book entitled "Family Limitation", on sale in a bookshop near his hotel, had the following warning printed on its dust jacket: "Reproduction forbidden".

POLITICS TODAY

Recovery point comes round again

By Joe Rogaly

The Conservatives have had an awful 12 months. In the usual way of things, the worst should in theory now be behind them. It was in this very same week of July last year that Mrs Margaret Thatcher removed Sir Geoffrey Howe from the Foreign Office and appointed a freshly reshuffled cast of senior cabinet ministers. Sir Geoffrey's expostulations, and Mrs Thatcher's insensitivity, marked the beginning of a season of Tory folly whose depths may by now have been plumbed. If not, they are jinxed – and therefore doomed.

The slide in Conservative popularity, which doubtless has more to do with the rate of interest than any interest in the names of ministers, actually began 13 months ago. In June 1989, a month in which the year-on-year rate of inflation was seen to have doubled since the election, Labour moved sharply into a 10-point lead, according to the Mori poll. That was the month in which stated intentions to vote Conservative fell below 40 per cent for the first time since the June 1987 election, while Labour entered the high-forties/early-fifties range in which it has remained ever since.

It is hard to believe that this can be wholly due to a conversion of large numbers of people to the Labour Party's policies, although to be fair its leader, Mr Neil Kinnock, must be given full credit for the modernisation of his party. Labour's latest policy document, and subsequent statements, indicate that it is now a European social democratic party and therefore not the off-putting leftist machine that failed so disastrously in 1983 and 1987. Yet there is no general sense of what Labour is about.

There is nothing in its favour resembling the incoming Tory tide described by the last Labour Prime Minister, now Lord Callaghan, in a famous remark to his policy adviser, Mr Bernard Donoughue, near the close of the 1979 election campaign. The remark is quoted in Lord Donoughue's book, Prime Minister: "There are times," the then Mr James Callaghan said, "perhaps once every 30 years, when there is a sea-change in politics. It then does not matter what you say or what you do. There is a shift in what the public wants and it approves of. I suspect that there is now such a sea-change – and it is for Mrs Thatcher."

You could argue that if there is a sea-change today it is against the personality of Mrs Thatcher, but there is no evidence that it is "for" the reconstructed Labour Party, much less its leader. Perhaps yesterday's end-of-term Labour strategy meeting will produce a clear statement on such matters as whether the party will dare to step well ahead of the Government in its approach to European monetary and political union, or whether it will distinguish itself as the party that stands for a fairer British democracy, or whether it will simply run as the nice party, which will offer very little, in the hope of upsetting no one.

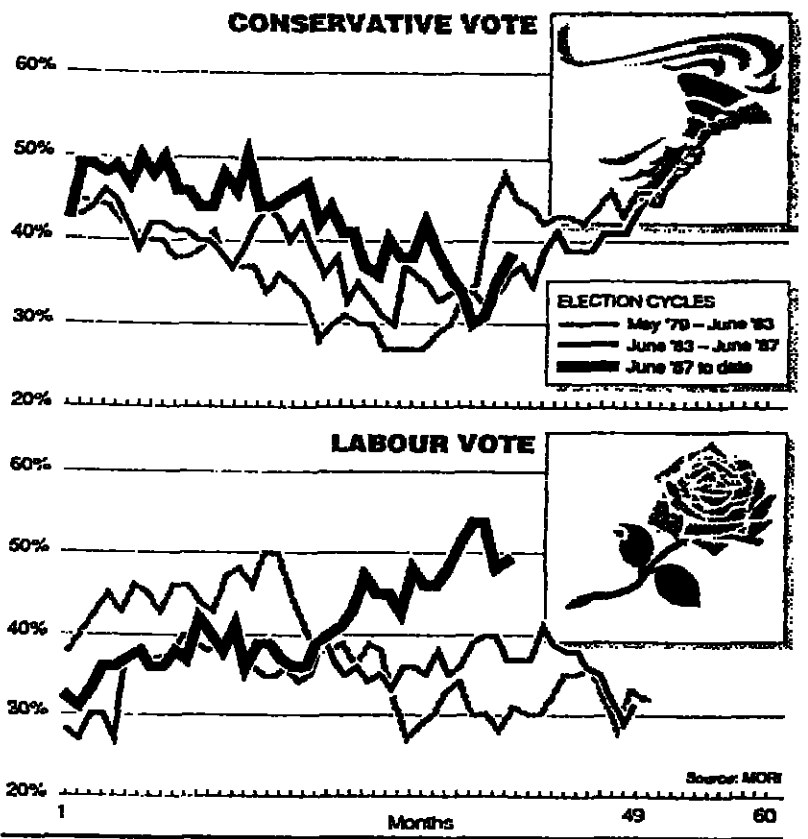
In the absence of such a sea-change the most reasonable explanation of the improvement in Labour's standing in the opinion polls is that it is a mirror-image of the Tory slide, accentuated by the collapse of the former Alliance parties. These two factors will not necessarily operate over the coming 12 months as they have since last July. The Liberal Democrats need only two or three more percentage points to reach double figures in the polls and eat into Labour's lead over the Conservatives. In that circumstance, the Labour line in my chart would soon start to fall quite steeply.

More to the point, the high drama of Mr Nigel Lawson's resignation as Chancellor last October was surely a one-off. The widespread antipathy to the poll tax, which drove Tory support down to 30 points and below in March and April, may now have begun to abate. In the spring, some ministers have recalled in recent conversations, there was very nearly a collective nervous breakdown in the cabinet.

Since the local elections in May there has been a recovery of nerve, and since the forced resignation of Mr Nicholas Ridley – which removed a loose cannon from the Conservative deck – some ministers have been seen doing little jumps of joy and clicking their feet in happiness as they land.

What the more sanguine among them keep telling themselves was proclaimed out loud by the Chancellor of the Exchequer, Mr John Major, in the Commons on Tuesday, thus: "When inflation comes down, as it will; when, in due course, interest rates can prudently be brought down, as they will be; when 11 years' improvement to the economy brings more prosperity, as it undoubtedly will, the electorate will know where to turn." It would, Mr Major indicated, choose a government that believed in the market rather than paid lip service to it; one that delivered freedom rather than just talked about it; and one that could deliver prosperity rather than seek merely to redistribute it. "That is why, after the next election . . . Conservative members will be on the government benches."

The chart gives some support for this view. The Tory line has already begun to recover, matching similar recoveries at similar points in the last two electoral cycles. We cannot be sure that it will rise as far as on previous occasions, but the chances must be that it will – to 42 per cent or so. Clearly the big difference this time around is Labour's unprecedented spurt during the past year, but any estimate of the significance of that depends very largely on what one thinks can be done about mortgage and interest rates between now and early summer 1992, which is the last possible time for an election. These would be affected by British entry into the Exchange Rate Mechanism of the European Monetary System, although to what extent, in which direction, and with what timing, is hard to predict.



Personally, I do not believe in the sea-change theory. The so-called 1979 turn of the tide was really a reversion to the British norm, which is a fine balance a few millimetres on either side of a line dividing social democrats from what in Europe would be called Christian democrats. The "Thatcherite" economic liberals, who would have formed a small coalition partner in most European governments of the right, were by chance in the Tory saddle at the time. As the years went by, some of them took advantage of it.

Over the past year mainstream Tories – Christian democrats in European terms – have taken the principal cabinet posts; Mrs Thatcher has sought compensation by moving liberals who share her instincts into a variety of junior jobs. Her instincts will still prevail in the shaping of the next election manifesto, but if her senior ministers influence it, and the facile pen of Mr Christopher Patten is called upon to draft it, the kooky New Right influence will at least be minimised, if not camouflaged.

The bookmakers were yesterday offering even money on the Conservatives and 8-to-11 on Labour. In my book, the correct odds are just about the other way around. The best bet, on a reading of today's graph-lines, is a hung parliament. Mr Michael Heseltine, the long-distance runner for Mrs Thatcher's job, must think he would do very well out of that.

There is the real world, and there is England. In the real world there is Christianity, which is divided into several streams, each of which manages its own affairs. In England there is the established church, which denies the ordination of women yet whose head has this week been formally chosen by a Queen on the advice of a female Prime Minister whose seat in the House of Commons depends in large measure on the support of the Jewish voters of Finchley. The new archbishop believes in women priests; his ideas on the nationalisation of the church by Henry VIII are unlikely to be solicited.

In the real world the church structure is a matter for the church. In England, where between a thirtieth and a fiftieth of the population attends Christian services every Sunday, there are 26 seats reserved for bishops in the House of Lords. In the real world the Muslim faith is more assiduously followed, by a greater attendance in Britain's mosques, than is the Anglican faith in its own country. Yet in England the new archbishop's outfit is called the "Church of England."

In the real world, the world of the United States and much of western Europe, there is a credible and in some parts growing adherence to the Christian faith, as shown by far greater propensities to attend services; in England there is a desire to maintain a state church that is matched in its intensity only by the lack of any intention to adhere to its precepts.

What one of our young British comedians, Mr Ben Elton, calls the "reality gap" does not end there. In the real world, Britain is governed by its Prime Minister, whose power derives from the headship of the largest party in the House of Commons; in England it is believed that the monarchy has a constitutional value. It should therefore maintain its "dignity." This proposition, measured against reality, is rather like saying that J R Ewing of Southfork is the President of the US and should maintain both his stetson and his dignity. Who has the greater dignity as measured by photo-opportunities, Lady Di – or Sue-Ellen?

There is no constitutional case for a large Civil List as a portion of the taxpayers' contribution to the upkeep of the palaces and their inhabitants' tax-free lives, but there is a case in the real world. If you regard the royals as part of the capital stock of a company that could be called "Quaint Olde Englande plc" then the visible part of their upkeep (I exclude the virtually incalculable non-taxable element) probably earns more in tourist and export-promotion revenue than it costs. There is a good economic case for privatising this enterprise; if it is to be sold to Lord Hanson as a job lot there should first be a proper valuation of land and other assets. But that would be a realistic policy; this is England.

LOMBARD

A case for the hard rouble

By Anatole Kaletsky

What could be more symbolic of the disintegration of a unitary state than the appearance of rival forms of money over which the central government has no control?

This is precisely what is now threatened by the Soviet Union's constituent republics, led by the only two that really matter in the great scheme of things – the Russian Federation and the Ukraine. Yet, under the right conditions, monetary diversity can be quite compatible with economic union, as Mrs Thatcher might say.

One set of conditions like this has been suggested by Mr George Soros, the Hungarian-American financier. It seems particularly timely at present, since it addresses not only the centrifugal forces within the Soviet Union, but also the West's sudden willingness to help perestroika with hard cash.

One version of the idea might work like this. The western countries would help the central government in Moscow create a new "hard" rouble, directly convertible into foreign currencies and gold. This would be issued by a new Union central bank, covering the whole of the reconstituted Soviet Federation. To back the convertibility of the hard rouble, the Federal Bank would have available to it the entire gold and currency reserves of the present Soviet Union, probably worth about $20bn, plus an equal amount of standby facilities from western governments and the IMF. In exchange for their support, the western agencies would get some kind of supervisory role in the new Federal Bank.

In the the eyes of Ivan Ivanovich on Gorky Street, the presence of IMF and other western officials in the Federal Bank's management would add as much to the credibility of the hard rouble, as the direct backing by dollars, yen and Deutschmarks.

Just as importantly, the blame for temporary economic hardship resulting from the currency conversion could at least be shared between the Soviet Government and the scheme's western supporters. As a result, it is quite likely that most of the western standby facilities would remain undrawn and after an initial adjustment period the cost of the scheme to western treasuries would certainly not be prohibitive. Indeed, like any standby arrangement, this scheme would only be successful if most of the borrowing facilities remained untouched.

That such a positive outcome is possible is shown by the recent convertibility reforms in Yugoslavia and Poland, which both produced big currency inflows into the central banks. The ultimate outcome would, of course, depend on the introduction of other economic, trading and fiscal changes, as well as on the exchange rate initially set between the old currency and the hard rouble and on the level of the social safety net established as part of the reform. But given the present state of political disintegration in the Soviet Union, the open-endedness of the hard rouble idea is actually its main attraction.

The hard rouble would not prevent the Soviet Federation's constituent republics issuing their own currencies if they wished to. Nor would it automatically tie them into monetary straitjackets on spending and taxes. This discipline would be imposed by the market. Republics which followed unrealistic monetary and fiscal policies would soon find their new found economic sovereignty melting into the thin air of hyperinflation. Their currencies would become worthless and their citizens would turn to hard roubles instead.

Meanwhile, the authority of the central government and the cohesion of the whole federation would be enhanced by the two pre-conditions required for the hard rouble idea to work. First, all trading restrictions and exchange controls would have to be outlawed between republics in the hard rouble system. Second, western governments would have to lend support and deal directly only with the Federal government and not with the constituent republics.

Is there a better definition of "maintaining the economic integrity of the Soviet Union"?

LETTERS

No free lunch in the EMU buffet car

From Mr Avinash Persaud.

Sir, If indeed Mr Austin Mitchell (Letters, July 9) has learnt nothing from the 1970s, Mr Douglas McWilliams (Letters, July 12) appears oblivious of the policy failures of the early 1980s. Membership of the exchange rate mechanism (ERM) of the European Monetary System (EMS), like the adoption of monetary targets in the early 1980s, will in no way improve that tragic but irrepressible trade-off between inflation and employment.

In fact, far from membership of the ERM offering Mr McWilliams's stark choice between reducing inflation or increasing uncompetitiveness, the evidence of the last 10 years suggests that member countries have reduced inflation by the effects of increasing uncompetitiveness on employment and wage inflation. Between 1980 and 1988, the inflation rates of the two "success" stories of ERM membership, France and Italy, fell by 10.5 per cent and 15.2 per cent respectively but their current account balances worsened by 0.6 per cent and 0.8 per cent of gross national product. The worsening current account balances were largely due to the crowding out of export growth through rising real exchange rates. In both France and Italy export growth between 1980 and 1988 was 40 per cent below average OECD export growth. The consequence of such paltry export growth was a rise in unemployment of 3.1 per cent in France and 2.1 per cent in Italy.

The salutary lesson for the UK from the ERM experience is that eschewing exchange rate depreciations will curb inflation at the expense of reduced economic growth and higher unemployment. The European monetary union (EMU) train may be hurtling too fast for Mrs Thatcher to stop it, but beware of "Europhoria" – free lunch is not served in the buffet car.

Avinash Persaud,
Monetary Economist,
Debt Division,
UBS Phillips & Drew,
100 Liverpool Street, EC2

Investment trust structure

From Mr Philip Chappell.

Sir, Adrian Thompson (Letters, July 16) urges that the investment and unit trust industries should stop sniping at each other, and I most certainly welcome that approach. We have always emphasised that our two industries should be regarded as complementary, not competitive. Let us attack the European market together.

But even on our home patch, we have failed to reach a wide enough audience. The results of our recent attitudinal survey, which have been so widely publicised, do show just how far both our industries have failed to break through the barriers of fear, apathy and ignorance, which still discourage most investors who wish to enter the pooled equity market, with all its long-term advantages.

However, the solution he proposes, that investment trusts should turn themselves into open-ended investment companies, destroys one of the prime advantages of the existing investment trust structure. It is the closed-end basis of the existing companies which provides all the advantages of long-term investment horizons, gearing potential and lower costs, with resultant better performance. And it seems to fit in well with the biblical recommendation of making best use of talents.

But I am all for the availability of choice and cannot understand why legislative delays should have prevented the introduction of open-ended investment companies. There would still be a world of difference between investors having the immediate right of redemption at net asset value, with all the disadvantages that this involves, and arrangements whereby investors know that the price of their shares in a closed-end vehicle depends upon supply and demand.

Of course, when the true merits of the closed-end structure are far more widely understood, all investment trust shares will trade at a modest premium. There will then be few requests to redeem them at net asset value.

Philip Chappell,
Association of Investment Trust Companies,
Park House,
16 Finsbury Circus, EC2

The EC and German dominance

From Ms Louise C. Tookey.

Sir, I refer Patrick Robertson (Letters, July 21) to the recent European Court of Justice decision which ordered West Germany to suspend its controversial tax on lorries. This tax discriminated against hauliers from other member states.

Although Germany was reported to be extremely angry about the ruling, the court's authority was accepted and the tax immediately suspended.

Even if the European Community were governed by hard-nosed national interests as Mr Robertson propounds, the European Court at least is ruling in a wider European context and one that safeguards the interests of all member states, regardless of their size.

It is difficult to assess whether a united Germany will dominate the Community, but it should be clear that a strong EC with competent and responsible institutions will lend itself to the protection of European interests above nationalistic ones.

Louise C. Tookey,
24 rue des Atrebates,
Brussels

Fair shares and eastern Europe

From Mr George Copeman.

Sir, Professors Olivier Blanchard and Richard Layard ("Making it safe for capitalism," July 11) fall into the trap of proposing an absurdity – giving shares to workers, in order to dismiss this as unfair to nurses and teachers.

The principles and practice of employee share ownership are based on employees earning their shares as a capital reward for business success. No gifts. Nurses and teachers can have other forms of capital rewards, but no direct share ownership unless their industries are privatised.

The mathematics of the fairness of employee share ownership have been done mainly by Professor Peter Moore of the London Business School and they substantially appeared in the jointly authored Shared Ownership (Gower, 1984). An understanding of these is essential to the privatisation of eastern Europe. This latter subject will be discussed in a forthcoming book on Capital Rewards – Key to the New Enterprise Culture.

Suffice it to say here that deep discounting of the share price is the tested method of getting privatisation shares to the general public and tax deferral is the tested and fair method of getting shares to enterprise managers and employees, but a condition of both must be a period of required holding of the shares.

In eastern Europe this will mostly have to be a long period initially, not dropping to the recognised western Europe norm of about five years until after the year 2000. Meanwhile the National Freight Corporation-type golden share provides a means of temporarily raising the voting power and voice of public investors, management and employee shareholders, long before the state ceases to own a majority of the capital.

George Copeman,
Chairman,
Wider Share Ownership Council,
Juxon House,
94 St Paul's Churchyard, EC4

Business assessment deadline

From Mr Clive Brooke.

Sir, Businesses should note with some concern the Environment Secretary, Chris Patten's decision to defer announcing until September how much next year's uniform business rate will be. They should also note that September has other significance for them. The last date in September is the deadline for lodging appeals against the new rating list assessments – the 1990 revaluation being the first since 1973.

We gain the impression that many business people have been misled about the ultimate real cost of the revaluation by the transitional relief provided by the Government. If they have, there may be a rude awakening ahead for them. If they have overlooked to appeal within the time limits – by September 30 1990 – they generally will have to wait another five years before the next opportunity arises.

Clive Brooke,
General Secretary,
Inland Revenue Staff Federation,
Douglas Houghton House,
231 Vauxhall Bridge Road, SW1

FINANCIAL TIMES
Friday July 27 1990

Iraq bid to dictate oil price rise faces defeat

By **Steven Butler** in Geneva and **Victor Mallet** in London

IRAQ was yesterday facing defeat in its efforts to lift oil prices to $25 a barrel at the Opec meeting in Geneva, although it appeared certain to win a modest increase in the cartel's benchmark price.

Oil ministers from Opec, the Organisation of Petroleum Exporting Countries, met throughout the day in their attempts to resolve the price dispute ahead of this morning's plenary session of the ministerial conference. As they met, tension in the Gulf continued to subside, with plans being finalised for Kuwait-Iraqi contacts in Saudi Arabia at the weekend.

Mr Issam al-Chalabi, the Iraqi Oil Minister, looked exhausted and said he had not slept for two nights while working to reach an agreement. It was believed he would have the unenviable task of informing President Saddam Hussein that Iraq's call for a $25 level could not be achieved at this meeting and that the country would have to compromise.

The ministers discussed a plan which would lift the Opec reference price from $18 to between $20 and $25. Most participants favoured a price nearer to $20. Opec oil is currently sold for about $17 in the market. As a concession to the Iraqi position, $25 may be mentioned in the final communique as an eventual goal.

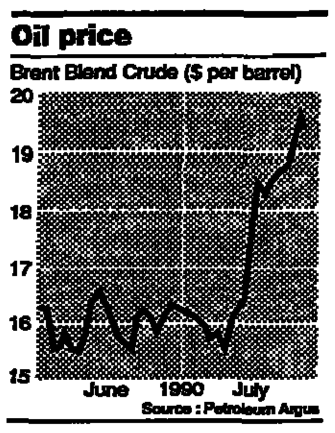
Delegates said a production ceiling would be set for the second half of the year at 22.491m barrels a day. Furthermore, if real prices reach the new reference price by the end of the year, Opec would fix a new production agreement for 1991 to lift the ceiling and raise the reference price again.

Ministers hoped to be able to wrap up the meeting today, but this was believed to depend on the response from Baghdad.

An Iraqi defeat on the issue would in any case be only a partial retreat since other countries have gone a long way to meet its demands.

Iraq's threats against Kuwait and the United Arab Emirates, whose excess production had driven down world prices, have galavanised Opec into seeking higher prices.

There was renewed talk in Geneva yesterday of Opec reasserting control over oil markets. Many Opec members, including Saudi Arabia, are nevetheless convinced that Opec should continue to take a moderate stance on such issues.



Iraqi Oil Minister Issam al-Chalabi, who looked exhausted and said he had not slept for two nights. He must explain what went wrong to Saddam Hussein

Mr Sadek Boussena, the Algerian Oil Minister, was elected Opec president after holding the post provisionally in place of Mr Rilwanu Lukman of Nigeria, who has been moved from his country's Oil Ministry to the Foreign Ministry. In an opening address Mr Boussena had pointed out that Opec had stuck to $18 as a price target since 1986, and that even this was rarely achieved.

He added that inflation had eroded this price.

THE LEX COLUMN

The cycle strikes back at ICI

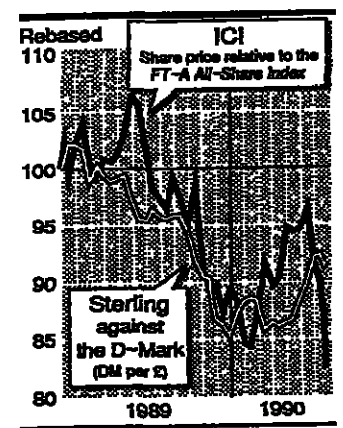
All of a sudden, events at *Imperial* Chemical Industries carry faint and disturbing overtones of 1980-81. For the first time since then, the dividend has not been raised. For the first time, too, the prospect is of a heavy fall in profits rather than a plateau. There is no suggestion that ICI is doing worse than its competitors; the 34 per cent drop in its second quarter profits is better than either Dow or Union Carbide managed earlier this week. But it is clear that the worldwide slowdown in basic chemicals is more severe than in industry as a whole. Chemicals being a leading indicator, the wider implications are not cheerful.

Yesterday's results show the old whiplash effect of the cycle all too clearly. In last year's second quarter the heavy divisions – general chemicals, petrochemicals and plastics – made up 42 per cent of trading profit. The figure this time is 21 per cent. ICI argues that the first half profit from these divisions is about the same as it was in 1986, the implication being of a return to normality. But in 1986 the figure was 19 per cent up on the previous year and rising very rapidly; this time it is down 58 per cent and apparently still falling.

As in 1980-81, the higher value-added divisions of pharmaceuticals and *agrochemicals* are coming to the rescue; last year they contributed 39 per cent of second quarter trading profit, this year 57 per cent. But the whole thrust of ICI in the 1980s was to reduce its dependence on bulk chemicals so that these swings could no longer occur. The market was always sceptical; it begins to look as if the market was right.

Looking to the medium term, it is possible to be more bearish again. With half its productive assets and only 20 per cent of its sales in the UK, ICI presents a classic case of the risks of ERM entry. Over the years it has traded successfully off sterling's depreciation against the D-Mark, in which its bulk sales are denominated. If sterling is fixed too high and ICI fails to conquer those traditions among its workforce which presently threaten strike action over a double-figure wage offer, there is a real risk of a crunch in a couple of years' time.

The market now expects profits in the current year to be some £1,200m, a fall of more than 20 per cent. But until business picks up again after the summer lull this must be pure guesswork, for ICI as well as for the market. The shares are by now valued almost solely on a yield basis. On the reasonable assumption that the final dividend will at least be maintained, the yield at yesterday's 1040p is 7.1 per cent. Formerly, 7 per cent was a firm support; it remains to be seen how much more of a risk premium the market will require after yesterday.



Japan

There is a widely held view that the Japanese financial markets are a law unto themselves. The resilient performance of Japanese equities in the aftermath of the 1987 and *1989 global market corrections*, and the failure of other equity markets to be moved by the 28 per cent drop in the Japanese market at the start of this year, have fed this complacency. Once again, Japanese equities are looking vulnerable; so need the rest of the world's equity markets worry?

The most pressing problem is the yen. Its recovery from a mid-April low of 160 against the dollar was largely responsible for the 18¼ per cent bounce in the Tokyo market. Bond yields fell as the threat of another interest rate rise receded. However, despite the recent easing in US interest rates, the yen is again looking rather soggy. Bond yields are back up to their springtime highs, making equities look very expensive. Japan's economy is growing considerably faster than West Germany's and is running an equally large trade surplus, yet its currency is among the world's weakest. Inflation seems subdued, yet the authorities are clearly worried by the tight labour market and rapid growth in money supply.

If the yen does not start strengthening soon, it seems likely that they will have to tighten again. The gap between short-term US and Japanese interest rates is now less than half a percentage point, which limits the scope for further US easing. It is just one more reason why it is hard to be bullish about US equities.

Mountleigh

Mountleigh is one of the London stock market's most interesting situations and one of the hardest to value. Yesterday's aggressive £56m write-down of its British real estate book, which lay behind the company's pre-tax loss for 1990, showed unequivocally the new management's resolve to get out of cash-absorbing UK property development. Equally clear was the message that Mountleigh wants a £1bn acquisition in a cash-generative industry. But until investors know the precise shape of that deal and the sector, conventional valuation techniques are useless; though at last night's 147.5p, a 44 per cent discount to net asset value, there *is not much downside risk in* the shares.

It looks likely that at some time in the next two years *Mountleigh* will leverage itself up again heavily. The current £617m of net debt is not worrying, given Mountleigh's £20m-odd of UK rental income, the trading improvements at Galerias Preciados and the scope for asset sales in strong European real estate markets. But selling a big chunk of Mountleigh's remaining £560m UK portfolio may be a long process, which may not be complete before Mountleigh sees its £1bn opportunity. Potential shareholders must be happy with that kind of risk; which may explain why a sophisticated investor like Mercury Asset Management has been buying the shares.

Oil shares

After working itself up over the Opec meeting, the oil sector has probably little further to go even if Geneva produces unexpectedly bullish news. And if Opec agrees a quota of anything more than 22.5m b/d quota and a target price less than $20, oil shares are open to a correction. In the two weeks since the preliminary Jeddah quota accord the sector has risen 6 per cent, even allowing for yesterday's drop. The dip was due partly to ICI, partly to a weaker Brent crude price. It also suggests that the recent oil shares rally has now run its course, whatever happens in Geneva.

Call for interest rate cut by EMS members

By **William Dawkins** in Paris and **Andrew Marshall** in London

GROWING tensions in the European Monetary System should be resolved by interest rate cuts in countries with the strongest currencies, Mr *Pierre* Bérégovoy, the French Finance Minister, said yesterday.

Although he did not identify any countries, the comments were thought to refer to Spain and Italy. The peseta and the lira are riding at the top of their bands in the EMS, while the DM, French franc and Dutch guilder are bumping along the bottom.

Mr Bérégovoy said that monetary authorities from EMS member countries "have to act so that the EMS functions according to its principles."

Spain and Italy, both of which face inflation problems, have high interest rates, giving strength to their currencies. The peseta also trades in a wide band within the system, giving more scope for upward movement.

But Spain has refused to cut interest rates to rein back the currency, for fear of the consequences in the domestic economy. There is also a risk that a cut will lead to a sudden currency collapse, which because of the peseta's wide band could be as much as 12 per cent.

This has led to an increasingly ill-tempered stalemate between the EMS countries, since none wishes to force the first realignment in 3½ years. France, West Germany and the Netherlands have all expressed disquiet at having to tailor their domestic monetary policies to help rein in the peseta.

"I consider that in the present state of the French economy, with the development of money supply and the reduction of inflation, a lowering in interest rates is possible," Mr Beregovoy said. But this was not possible in present international monetary conditions, he added.

Wide bands have been presented as the best method of EMS entry for the UK, but Mr Paul Chertkow, chief currency strategist at Citibank, said yesterday that the Spanish example demonstrated that they might cause more problems than they solved. "This brings into question whether wide bands provide more scope for monetary authorities, or if they tie their hands even more firmly after appreciation."

Mr Bérégovoy said that if France could help Spain and Italy to lower their interest rates, it would do so. This suggests that France, and possibly the Bundesbank, may be preparing to lower their own interest rates in concert.

He predicted that a French interest rate cut would come within weeks. He did not expect the West German Bundesbank to raise its rates in the near future, though if it did, he said this would be for internal German reasons and other Europeans would not be required to follow suit.

Mandela to see de Klerk over arrest of leading ANC member

By **Patti Waldmeir** in Johannesburg

MR Nelson Mandela, deputy president of the African National Congress (ANC) was last night due to meet Mr F.W. de Klerk, the South African President, to discuss the arrest of Mr Mac Maharaj, a prominent ANC member in connection with an alleged plot to overthrow the Government.

Earlier, Mr Ronnie Kasrils, another senior ANC member and former intelligence chief of the ANC military wing, Umkhonto we Sizwe,admitted that he had helped plan the infiltration of guerrillas and weapons into South Africa, confirming the allegations of South African police who are believed to be seeking his arrest.

Mr de Klerk's office said last night that a meeting with Mr Mandela would take place "urgently" to discuss the result of a police investigation into recent infiltrations, adding that the ANC "did not appreciate the seriousness of the facts revealed by the SAP (police)".

Both Mr Kasrils and Mr Mandela have denied government allegations of a communist plot to overthrow the state. But Mr Kasrils defended the ANC's right to build underground military structures within the country as an "insurance policy" against the possible failure of negotiations with Pretoria.

His comments appeared to contradict those made on Wednesday by Mr Mandela, who implied that Umkhonto fighters had been given orders to scale down operations, but were disobeying them.

Police have arrested up to 40 ANC members in connection with the alleged plot, including Mr Kasrils' closest colleague, Mr Mac Maharaj, the senior ANC leader who was detained on Wednesday night. Mr Kasrils said he too expected to be arrested. He said "a tremendous palaver" had been made of the fact that Umkhonto was "*merely* continuing with its work": "Why shouldn't it? There's no ceasefire."

The apparent disagreement between Mr Kasrils and Mr Mandela demonstrates divisions within the ranks of the ANC over the issue of the armed struggle. The response of senior ANC leaders to the *arrest of Mr Maharaj has been* surprisingly muted: Mr Mandela has said talks remain on course in spite of the arrests.

That suggests that Mr Mandela acknowledges the legitimacy of the Government's case. Pretoria told diplomats earlier this week that it had 4,000 pages of computer printouts comprising the minutes of meetings where the infiltration programme was allegedly discussed.

The Government alleges that a number of prominent communists were involved – Mr Maharaj is a member of the central committee of the South African Communist party, and Mr Kasrils is also believed to be a party member – and that Mr Joe Slovo, the Communist party general secretary, was also involved in plans to set up safe houses and stockpile arms.

Reuter adds: A fresh outbreak of factional violence left two dead and 17 hurt in the black township of Soweto near Johannesburg yesterday.

Police said passengers at Inhlazane station were attacked by about 300 blacks armed with firearms, machetes, axes, sticks and pipes. One woman was shot dead and eight people injured. *In a second attack, men* wielding knives forced 10 passengers off a moving train, killing one and injuring nine. Victims blamed Zulu migrant workers from Natal loyal to the Inkatha leader, Chief Mangosuthu Buthelezi – a charge Inkatha denies.

Bank loan bolsters Hungary's liquidity

By **Andrew Fisher** in Frankfurt and **Stephen Fidler** in London

Hungary, facing severe short-term liquidity problems as it reforms its economy, is to obtain a DM500m ($308m) loan from a consortium of West German banks.

Deutsche Bank, the largest West German bank, said yesterday it would arrange the credit, which would carry a 90 per cent guarantee from the Bonn government. The revolving credit – allowing the borrower to draw down and repay *the credit flexibly – will run* for 12 months. It will be priced at normal terms for the international market, Deutsche Bank said without being more specific.

The funds will be for short-term liquidity needs and to support Hungary's economic and industrial reforms. Deut*sche Bank said it had signed a* contract for the credit with the National Bank, but the composition of the consortium was still to be decided.

Hungary, with a foreign debt of more than $20bn, has the highest debt per head of population in east Europe, but has pursued a policy of not rescheduling. This policy remains a stated aim of the government but was severely jeopardised earlier in the year when some banks refused to renew maturing credits.

Apart from its own high debt levels, Hungary has suffered from creditor worries about the general creditworthiness of east Europe, following a freeze of debt payments by Bulgaria and delays in payments by Soviet borrowers.

This month, the US credit rating agency, Moody's Investors Service, downgraded Hungary's bond issues to below investment grade, adding to the country's difficulties in refinancing loan repayments.

The International Monetary Fund last week approved an emergency budget from the government, releasing some $80m in bridging finance from central banks.

However, the fact that the bank credit could not be raised without a government guaran*tee indicates the country will* have continuing difficulties in securing new bank credits without such guarantees.

UK warns on foreign takeovers

By **Robert Rice** and **Guy de Jonquieres** in London

THE UK Government said yesterday that it intended to take a much tougher stance against foreign state-controlled companies *making* acquisitions in Britain.

Mr Peter Lilley, the new Trade and Industry Secretary, said that in deciding whether or not to refer proposed mergers to the Monopolies and Mergers Commission he would in future be paying particularly close attention to the *degree of state control* of the acquiring company.

One of the Government's fundamental policy objectives has been to allow market forces to determine the most efficient allocation of resources through privatisation, deregulation and vigorous application of competition policy. The Government was not going to allow this to be undermined by "nationalisation by the back door," he said.

Mr Lilley stressed that this new change of emphasis in competition policy would apply to all *bids* by state-controlled companies, whether UK or foreign. But although the Government is prevented by the *Treaty of Rome from discrimi*nating against bidders from other EC member states, it seems clear that the statement is aimed particularly at French state-controlled industry.

French state-controlled companies have made many more cross border mergers and acquisitions throughout *Europe since the start of 1989* than nationalised groups from any other European country.

They were particularly active in the first quarter of this year making 40 European deals with a disclosed value of Ecu2.52bn ($3.15bn) – 58 per cent of the value of all French deals in Europe.

Britain is *by* far the most popular target for French state-controlled industry. Last year they made eight takeovers in the UK worth Ecu1.52bn, among them the £512m ($932m) purchase by Rhône-Poulenc of RTZ Chemicals and the £230m takeover by the GAN insurance group of General Portfolio Group.

This is the second time this year that the Government has issued a warning on this point. In March, following the announcement that the £301m bid by Orkem, the French state controlled chemicals group, for Coates Brothers, the UK *inks* and resins manufacturer, would not be referred to the *MMC, Mr John Redwood, Cor*porate Affairs Minister, fired a shot across the French bows by emphasising that in future such acquisitions would be closely scrutinised on competition grounds.

At press briefing Mr Red-Wood said following concern exressed by the CBI and the City of London *that* the playing field in cross-border mergers was not level, the Government had decided to tighten up its policy in this area.

Rover sale inquiry sought, Page 7

GEC of UK may bid for PowerGen

Continued from Page 1

bid for PowerGen by mid-August. The plan is for the Government to trigger an auction by announcing Hanson's offer price and inviting other companies to bid. Hanson would be free to increase its offer price if other bidders enter the battle.

Bankers close to the privatisation say Hanson would in effect be acting as the underwriter to the auction. The range of £1bn-£1.5bn ($1.8bn-$2.7bn) is being quoted as PowerGen's likely price.

National Power yesterday *published a loss of £605m for* the year to March after provisions, mainly connected with the costs of moving into the private sector, totalling £914m. The provisions included £411m for closures and job losses.

Mr Danny Carrigan, national officer of the EETPU electricians union, said the company was in danger of not having enough capacity to meet peaks in demand. But National Power said this failed to understand the nature of the new electricity market.

After further limited writedowns, National Power's 40 *power stations are now valued* at £1.534bn, less than it costs to build one large station, but the company denied that it would be sold below value.

Many of the figures in the accounts, including its £3.998bn turnover, are largely notional since National Power has existed formally only since April. Mr Frank Dobson, Labour's energy spokesman, claimed: "Most of the figures have simply been rigged to suit the Government's privatisation plans." The accounts reveal that the highest paid National Power director now receives a *salary* of about £170,000.

Faster pace for talks

Continued from page 1

imports that hit domestic pro ducers.

All countries interested in stronger protection for intellectual property rights must be ready to envisage changes in national laws, Mr Dunkel said.

His timetable will allow trade ministers to prepare for the Uruguay Round's concluding meeting in Brussels early in December. He said documents had to be ready by November 23. By October 15 governments will be expected to table offers to reduce supports to farmers.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	27	82
Algiers	F	32	81
Amsterdam	S	20	68
Athens		-	-
Bahrain	S	37	99
Bangkok	F	32	91
Barcelona	F	27	82
Beirut		-	-
Belfast	S	22	73
Belgrade	F	25	77
Berlin	F	21	70
Biarritz	C	23	75
Bombay	F	30	86
Bordeaux	F	27	82
Boulogne	F	25	77
Brussels	S	23	75
Budapest	F	23	75
Buenos Aires	F	16	61
Cairo	S	35	95
Cape Town		-	-
Caracas	C	27	82
Casablanca	F	25	77
Chicago	S	18	66
Cologne	S	25	77
Copenhagen	S	22	72
Corfu	S	31	88
Dallas	F	22	73
Dublin	S	20	68
Dubrovnik	S	27	82
Edinburgh	S	18	66
Faro	S	25	77
Florence	F	30	86
Frankfurt	S	25	77
Geneva	S	25	77
Gibraltar	S	28	84
Glasgow	S	22	73
Helsinki	F	16	61
Hong Kong	F	32	90
Innsbruck	F	25	77
Inverness	S	22	72
Islamabad	F	32	91
Istanbul	S	28	84
Jakarta	C	32	91
Jersey	S	23	73
Johannesburg	S	21	70
Lima	C	17	64
Lisbon	C	22	73
London	F	21	70
Los Angeles	F	17	64
Luxembourg	S	25	77
Madeira	S	22	73
Madrid	S	27	81
Majorca	S	32	90
Malaga	S	32	91
Malta	S	31	88
Manchester	C	18	66
Manila	R	28	84
Melbourne	S	12	54
Mexico City	C	25	77
Miami	F	27	81
Milan	F	25	77
Montreal	S	21	70
Moscow	F	17	63
Munich	S	23	75
Nairobi	C	21	70
Naples	S	28	84
Nassau	F	32	91
New Delhi	F	32	91
New York	C	22	72
Nice	F	25	77
Nicosia	S	28	84
Oporto	C	22	72
Oslo	S	26	79
Paris	S	26	79
Peking	C	22	73
Prague	F	20	68
Reykjavik	F	13	57
Rhodes	S	28	84
Rio de Janeiro	F	27	82
Rome	S	27	82
Salzburg	S	25	77
San Francisco	S	12	55
Seoul	C	28	84
Singapore	S	31	88
Stockholm	F	22	72
Strasbourg	S	27	81
Sydney	S	12	55
Taipei	F	35	95
Tangier	F	25	77
Tel Aviv	S	30	86
Tenerife	C	25	77
Tokyo	F	31	88
Toronto	S	17	64
Tunis	S	35	95
Valencia	S	33	93
Venice	S	27	81
Vienna	F	22	73
Warsaw	F	22	73
Washington	S	23	75
Zurich	S	23	73

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

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Friday July 27 1990

INSIDE

Goodyear incurs $21.4m charge

Restructuring of Goodyear Tire & Rubber's North American operations and the closing of the company's roofing systems plant in Bedford, Massachusetts have sent the company into the red for the second quarter The Ohio-based group which is the world's largest rubber manufacturer, reported a loss of $9.4m for the second quarter after making an after-tax charge of $21.4m, or 37 cents per share. A year ago it made a $27.1m profit in the same period. Barbara Durr reports. Page 24

Storm over Framatome

The challenge facing Framatome, the world's third-largest builder of nuclear reactors, is brutally simple It has not received a new reactor order for four years and its profits have been in steady decline since 1987. Framatome's management has embarked on a survival strategy which includes international alliances and ventures in a new market in electrical connectors. But they must also deal with a political storm over ownership of the group William Dawkins reports. Page 23

Canadian media groups hit by soft revenues

Second-quarter results at Canada's three leading media groups have been badly hit by soft advertising and commercial printing revenues and high interetst costs. Net earnings fell 35 per cent at Maclean Hunter, the newspaper, trade magazines and cable TV group while at Southam, which owns 16 daily newspapers, income tumbled by 41 per cent. Torstar Corp, which publishes the Toronto Star, Canada's top-selling daily paper, saw a 32 per cent drop in earnings. Bernard Simon reports from Toronto. Page 24

Mountleigh plans big acquisition

Nelson Peltz (left) and Peter May, the US entrepreneurs who came to prominence in Michael Milken's junk-bond era, said yesterday that they intended to make a £1bn ($1.81bn) European acquisition via Mountleigh, their UK-based property and retail group. But first they needed to restore the group's strength after a year which saw a pre-tax loss of £46.8m, compared with a profit of £69.3m in 1988-89. Mr Peltz, chairman and joint managing director, said the ideal acquisition target would be cash generative, have a strong but under exploited market position, tangible asset backing and a European focus. Page 22

Davids S Smith falls 20%

The UK paper maker David S Smith, has announced a 20 per cent decline in pre-tax profits for the year to April 30. Heavy capital spending and pressure on margins in a sluggish market were blamed for the fall, which was made worse by an exceptional provision of £1.49m ($2.7m) for bad debts arising from the collapse of Coloroll, the home furnishings group to which Smith supplied backing paper for wall coverings. Page 18

Market Statistics

Companies in this section

Chief price changes yesterday

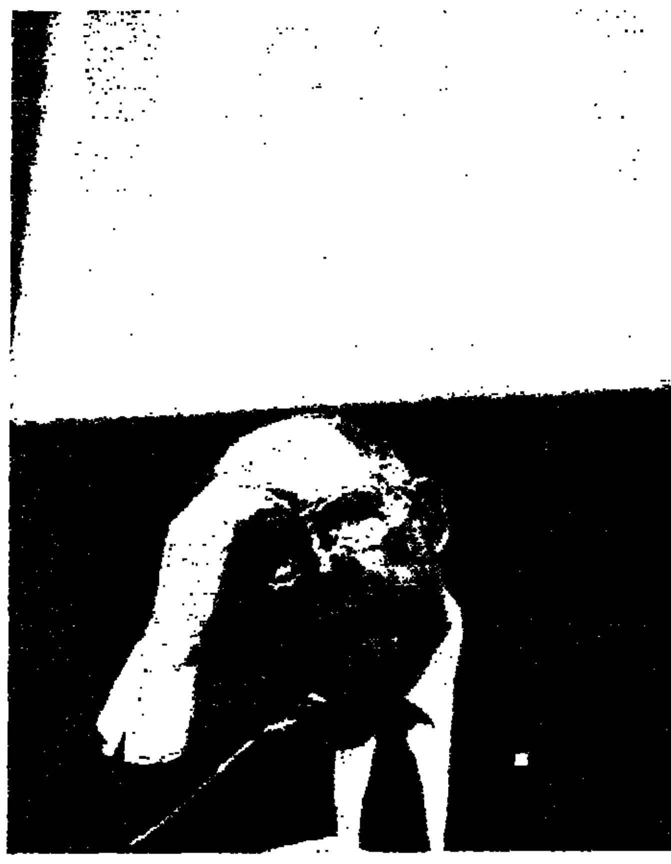
FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
AEG	304	+	11.5	BIC	669	+	17
Deckel	235	+	10	**Falls**			
Hamburg El	232	+	18	Bancaire Cie	550	−	18
Nixdorf	352.8	+	17.8	Coparex	581	−	19
Wella Prf	784	+	16	Orsan	295	−	11
Falls				Poliet	583	−	18
Sud-Chemie	760	−	24	Rhone-Poul	445	−	14.9
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Black & Decker	16	+	7/8	Daito Gyorui	1670	+	140
Digital Eq.	76	+	1 1/8	Fudow	1180	+	110
Lockheed	27 1/4	+	7/8	Fujitec	1850	+	130
Falls				Ryoden Trading	1880	+	130
Compaq Comp.	58 1/2	−	3/4	Tokai Kisen	1290	+	120
Ford	41 1/2	−	3/4	**Falls**			
Raychem	25 1/2	−	2 3/4	Japan Medical	1350	−	100

New York prices at 12.30.

LONDON (Pence)							
Rises				Courtaulds	369	−	10
Betacom	16	+	3	EMAP	229	−	13
Severn Trent	220	+	5	Grand Met	637	−	7
Unilock	105	+	21 1/2	Hillsdown	285	−	5
Water Pk Uts £	2325	+	32	ICI	1040	−	65
Welsh Water	252	+	5	Laporte	554	−	9
Falls				Shell Trans	479	−	9
Abbey National	222	−	5 1/2	Sun Alliance	321	−	6
BOC Group	573	−	12	Ultramar	338	−	11
Comm Union	505	−	11				
Corton Beach	20	−	5				

GM and Ford record steep quarterly drop

By Martin Dickson in New York



GM President Robert Stempel: GM increased its share

FIERCE price competition in the US car market and difficulties abroad have hit the second quarter earnings of General Motors and Ford, the two largest American automobile manufacturers. GM yesterday announced second quarter net income of $900m, down 38 per cent, while Ford made $771m, down 45 per cent.

The figures were broadly in line with analysts' expectations, and in some areas a little better, but the companies' shares fell in morning trading on the New York Stock Exchange. At lunchtime GM stood at $47⅞, down $⅞, while Ford was at $41½, down $¾.

The figures underline the fierce battle raging in the US market, where demand is running below last year and an expansion of production by Japanese manufacturers is adding to overcapacity.

The Japanese companies have been gaining market share at the expense of the Americans – although in the first half of this year GM, alone among the domestic companies, did manage to increase marginally its share of the business, thanks to new product introductions.

This combination of factors means all producers are offering big discounts which have slashed profit margins. Ford estimated yesterday that "customer incentives" per vehicle has risen from $450 in the second quarter of last year to between $1,000 and $1,100 this year. However, it added that it had been spending slightly less – a little more than $1,000 – so far in the third quarter.

GM and Ford have been relying on strong sales abroad, particularly in Europe, to bolster group earnings, but in this quarter Ford was hit hard by strikes at plants in Belgium and Britain and what it called increased competition in Europe. GM, however, reported record European sales.

Both companies were hit by the radical economic reforms taking place in Brazil, where they have sizeable operations. Vehicle sales have been cut both by lack of demand and industrial action aimed at the motor industry.

Ford said its automotive profits outside the US dropped from $602m last year to $173m, while in the US they fell to $529m, down $705m.

In the first six months of the year the company's share of the US car market was 21.3 per cent, down 1 point on the full 1989 year, while its trucks share rose ½ a point to 29.3 per cent, thanks in part to the successful launch of a new sports utility vehicle.

GM did not break out its domestic and overseas profits figures but the company, which has suffered a long slide in market share over recent years, estimated its first half share of the car sector was 36.5 per cent, slightly ahead of last year.

Details, Page 24

AGF may buy a stake in Pechiney to raise its equity

By William Dawkins in Paris

ASSURANCES Générales de France (AGF), the state-controlled insurer, is considering plans to take a small minority stake in government-owned Pechiney, the leading aluminium and packaging group, as a way to help the insurance company raise more equity.

The move is the latest example of the complex financial manoeuvres which French state-owned companies are devising to raise capital without contravening the moratorium President François Mitterrand has imposed on both privatisations and nationalisations.

It comes in the wake of an announcement that Banque Nationale de Paris and Union des Assurances de Paris, also both state-owned, are discussing taking cross-shareholdings in each other.

The fine details of an agreement, including the size of AGF's stake in Pechiney, are a long way from being settled, say officials. Both deals also would still need the blessing of the Finance Ministry.

For AGF, the immediate purpose of a stake in Pechiney would be to lift the state's shareholding in itself as far as possible above 75 per cent.

This is the level which French law lays down as the Government's minimum shareholding in state insurance companies.

AGF would then issue enough new shares to the public to dilute the Government's stake to 75 per cent again.

This could raise up to FFr1bn ($183m) in new cash, depending on how many Pechiney shares are transferred to AGF, estimate officials.

The insurance company would pay for its Pechiney stake by issuing new shares in itself to the state, though some of these new shares could also be exchanged for cash.

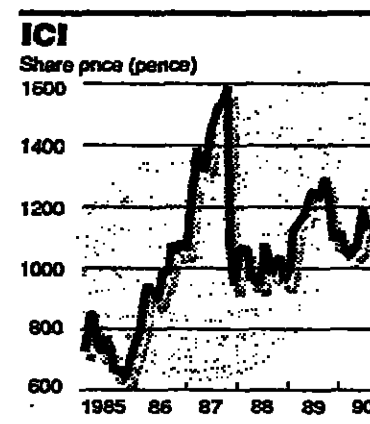
Pechiney's capital structure, simply being used as an instrument to help AGF raise money, would be unaffected.

The insurance company is already in the process of lifting the state's share in itself to 78 per cent, as a result of recent agreements to acquire shares in Rhône-Poulenc, the state-owned chemicals group, and Total, the state-controlled oil company.

These agreements form part of the same cash-raising strategy behind AGF's approach to Pechiney.

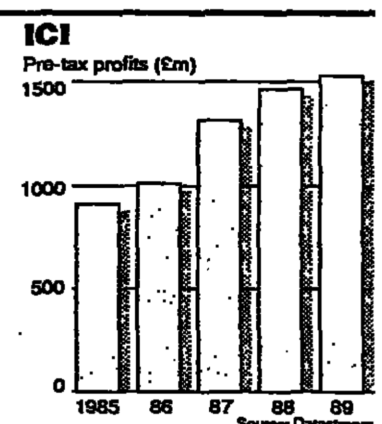
ICI says farewell to its fertiliser operations

Peter Marsh on the UK chemical company's disposal



West European fertiliser makers
1989 capacity m tonnes

Norsk Hydro (Norway)	13.0
Kemira (Finland)	7.1
Enimont (Italy)	5.1
Elf Aquitaine (France)	4.8
BASF (W Germany)	4.2
Ercros/Enfersa (Spain)	4.4
ICI (UK)	4.3
DSM (Netherlands)	2.6



FOR Imperial Chemical Industries – Britain's biggest manufacturer and the world's fourth largest chemicals group – the recession in the international chemical industry finally hit home yesterday.

The company shocked analysts by announcing a 21 per cent decrease in pre-tax profits for the first half of 1990. The fall was worse than most analysts had expected and is an indication of the problems facing many large chemical companies.

Yesterday's announcement coincided with ICI's decision to close its Billingham fertiliser plant with a loss of 640 jobs, and to sell the rest of its UK fertiliser operations to Kemira of Finland. It inevitably led to comparisons with the dark days for ICI in the early 1980s when it was in deep financial difficulties.

The reduction in profits was especially steep in many of ICI's bulk chemicals businesses in areas such as petrochemicals, plastics and general industrial materials which are sold at low prices and in high volumes.

In many developed countries, demand for such products has started to falter in the past year, after a boom period in the late 1980s when many large chemicals groups, ICI included, hit record profits.

The problems have been worsened by signs of over capacity in many bulk areas of chemicals including commodity plastics such as polyethylene and polyvinyl chloride (PVC).

Sir Denys Henderson, ICI chairman, acknowledged the extent of the problems when he talked yesterday of further belt tightening at ICI and a squeeze on costs. He refused, however, to comment on the possibility of large scale redundancies.

"The next few months are going to be tough," he warned.

The size of the fall in profits raises some doubts about the effectiveness of ICI's strategy over the past five years of directing more resources towards the low volume, high price speciality parts of the chemicals industry such as pharmaceuticals, agrochemicals and paints.

ICI's divisions involved with these materials performed reasonably healthily in the first half of 1990. But this was not enough to overshadow the startling reductions in profits in other parts of the company.

For Kemira, the acquisition of ICI's European fertiliser operations – which have estimated sales of £400m out of likely total ICI turnover this year of £14bn – marks the latest stage of a period of rapid growth.

Over the past five years, under Mr Yrjö Pessi, its chairman, Kemira quickly become a leading force in several parts of the chemical industry normally considered to be low growth commodity products.

The Finnish group has been able to expand in fertilisers – at a time when many other European producers in this material have experienced severe financial problems – as a result of its modern manufacturing operations and ready access to supplies of relatively cheap natural gas – a vital ingredient in fertiliser production.

For ICI, the sale of the European fertiliser business removes a problem area for the company. ICI has made a loss on its fertiliser operations – which have total annual sales of about £1bn and include manufacturing activities in Canada, Australia, India and Malaysia besides the UK – for each of the past four years.

The whole of the £7bn a year West European fertiliser industry has been depressed in recent years as a result of poor demand from farmers and cheap imports, especially from Eastern Europe.

As for ICI's other operations, it will be hoping for some signs of life in the currently depressed market for many types of chemicals in the UK and US.

Sir Denys gave no hints yesterday as to whether the company might be interested in selling off other parts of its commodity operations which – like fertilisers – have had a less than strong financial performance in the past couple of years.

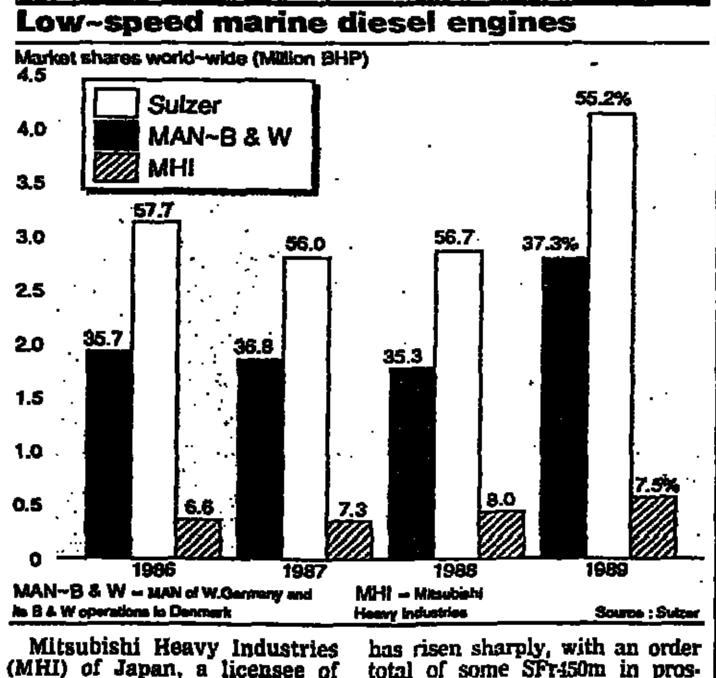
But he indicated that no parts of ICI's business were sacred. "I want to make sure the group as a whole is strong and profitable and growing. That inevitably means coming out of some businesses that are not doing so well. Profits are more important than turnover."

ICI's falling profits, Page 21

Marine diesel groups set up new European joint venture

By Andrew Fisher in Frankfurt

Low-speed marine diesel engines



MAN-B & W – MAN of W.Germany and its B & W operations in Denmark   MHI – Mitsubishi Heavy Industries   Source: Sulzer

A NEW European grouping in the marine diesel sector was yesterday announced by Sulzer, the Swiss engineering group, which was prevented last year from linking up with MAN of West Germany by objections from Germany's Federal Cartel Office.

Sulzer's solution to its problems in the highly competitive marine propulsion industry involves companies from both western and eastern Europe.

Because the new deal does not combine the two biggest licensors in the world marine diesel industry, the Cartel Office indicated it would approve the venture.

A new company will be set up, the majority to be jointly held by Fincantieri Cantieri Navali Italiana, the state-owned Italian yard, and a German consortium comprising Bremer Vulkan of West Germany and Deutsche Maschinen- und Schiffbau of East Germany.

The venture, called New Sulzer Diesel, will have a share capital of SFr100m ($72m) and will be based in Winterthur, where the Swiss group has its headquarters.

The new operation is being formed at a time of improving fortunes in marine propulsion, a sector in which both MAN and Sulzer have previously gone in for fierce price-cutting.

Sulzer hopes to make a profit this year on its diesel activities, which also include some land-based products, after losing money on them for nearly 15 years. MAN, which wanted the link with Sulzer to make its own diesel business more resilient, is now also making money in this sector.

Sulzer no longer makes the big slow-speed two-stroke engines which account for most of the marine diesel industry. But like MAN, it is one of the most important licensors of engine types to other manufacturers, mainly in the Far East.

Mitsubishi Heavy Industries (MHI) of Japan, a licensee of Sulzer and MAN, is the only other engine maker which offers its own design, but only on ships built in its own yards.

The Cartel Office feared the previous deal, under which MAN would have acquired Sulzer's diesel business, would have made the German company the dominant force in the world market for ships' engines, which account for roughly 10 per cent of vessel costs.

Last year, low-speed diesels made up four-fifths of the world market by engine-power; Sulzer had nearly 40 per cent of this business, MAN more than 50 per cent, and MHI just over 7 per cent. Sulzer said sales of its diesel company totalled SFr303m last year, with an order intake of SFr374m. This year, new business has risen sharply, with an order total of some SFr450m in prospect.

Total sales of Bremer Vulkan, the shipbuilder which now becomes a Sulzer engine licensee, were equivalent to SFr2.2bn in 1989, while those of the Rostock-based East German company, already a licensee, were SFr3bn.

The deal announced by Sulzer, which will keep a small stake in the venture, should allay European yards' concerns that Japan could dominate engine manufacture and design and raise prices if the Swiss company could not find a European buyer.

However, the new company will co-operate with Sulzer's Japanese licensees, Ishikawajima-Harima Heavy Industries and Sumitomo Heavy Industries, on research and development.

Peltz and May in acquisition plan

By Jane Fuller in London

MR NELSON PELTZ and Mr Peter May, the US entrepreneurs who came to prominence in Michael Milken's junk bond era, said yesterday they intended to make a £1bn ($1.82bn) European acquisition via Mountleigh, their UK-based property and retail group.

But first they needed to restore the group's strength after a year which saw a pre-tax loss of £46.8m, compared with a profit of £69.3m in 1988-89.

Mr Peltz, chairman and joint managing director, said the ideal acquisition target would be cash generative, have a strong but under-exploited market position, tangible asset backing and a European focus.

The timing was dependent on the speed with which Mountleigh's strength could be restored through selling property and reducing its £600m debt, representing gearing of nearly 90 per cent.

Mr Peltz said the accounts for the year to April 30 were designed to "set the record straight" in a year of transition.

Since he and Mr May took control of the group in November the pattern has been set of selling UK property, building up the Spanish retail operation and reducing debt.

Because of the UK property slump, operating profit from this division fell from £101.3m to £30.1m. The dive in UK performance was partly offset by Galerias Preciados, the Spanish department store chain, which increased its operating profit by 17 per cent to £28.1m, and by other overseas activities which contributed £21.1m more than last time.

Profit before tax and exceptionals fell to £29.1m from £69.3m. This was after net interest payments of £31.2m, nearly £7m less than the previous year, helped by the capitalisation of £23.6m (£14.3m) in interest linked to development projects.

A further exceptional bill of nearly £20m was included for reorganisation in Spain. Mr Clive Strowger, appointed chief executive in March, said this would mostly be for redundancies.

The share price closed up 2½p at 145¼p, compared with a net asset value per share of 261.9p (253.3p).

Cookson to sell 7.9% JM stake at a loss

By Ken Gooding, Mining Correspondent

COOKSON GROUP, the specialised industrial materials company, yesterday finally gave up hope of acquiring Johnson Matthey's colours and printing division – which it has coveted for the past two years – and sold the 7.9 per cent stake it had built up for £38m ($69m).

Mr Michael Henderson, Cookson's chief executive, said that, although his group paid £42m for the shareholding, there would be only a very small loss. Much of the £4m deficit would be covered by the final dividend from JM, to which Cookson remains entitled, and a reduction in tax liability.

The 14m JM shares were placed with a range of investment institutions in the UK and overseas yesterday by Credit Suisse First Boston at 272p each, a discount of about 5 per cent on the overnight price. The JM shares closed last night at 279p, down 11p.

Cookson's share price touched 195p soon after the news but later settled back to close unchanged at 190p.

JM, the world's biggest platinum marketing organisation, is one of an international network of companies under the influence of the Anglo American Corporation of South Africa.

Mr Henderson pointed out that two years ago it seemed likely that Anglo's overseas investment arm, Minorco, would either promote a bid for JM or sell some of its operations.

This did not happen and a new JM management team, under the chairmanship of former Hill Samuel banker, Mr David Davies, last month made it clear its new strategic plan involved keeping the colours and printing division.

This provides ceramic colours for the glassware, tableware, sanitary ware and tile industries.

HK's corporate reporting season gets under way

By John Elliott
in Hong Kong

BANK OF East Asia, Hong Kong's largest local family-controlled bank, yesterday declared consolidated profits, after tax and undeclared transfers to secret inner reserves, of HK$103.9bn (US$13.4bn) for the six months to June, up 15.1 per cent on last year's same period.

The real profit figures are masked by the transfers to hidden reserves but the rate of increase is lower than the 19 per cent growth reported for the whole of 1989.

An interim dividend was declared of 25 cents, which compares with an adjusted 21 cents for a year ago. Earnings per share have risen to 38 cents from 33 cents (adjusted).

The bank traditionally begins the territory's corporate reporting season.

Asahi Glass records 2.3% rise

By Ian Rodger in Tokyo

PRE-TAX profits of Asahi Glass, the leading Japanese flat glass maker, edged ahead 2.3 per cent in the first half to Y21.8bn ($146.9m) on sales up 11.6 per cent to Y487.7bn.

However, operating profit declined 17.4 per cent to Y26.4bn as a result of a 14 per cent jump in the cost of sales to Y402.1bn. Selling, general and administrative expenses also rose 9 per cent to Y59.2bn.

The company said sales of glass and construction materials, accounting for 51.6 per cent of sales, rose 13.3 per cent to Y251.8bn, as the domestic construction and automotive industries remained buoyant.

Chemical operations, accounting for 36.2 per cent of total sales, rose 6.8 per cent to Y176.4bn and electronic products sales jumped 36.4 per cent to Y24bn, thanks to increased sales of magnetic memory disks.

Net income reached Y21.8bn or Y18.74 per share, up 3.9 per cent. The company is forecasting pre-tax profits of Y76bn for the full year, up 10.4 per cent.

Nissan strengthens Thai links

By Our Financial Staff

NISSAN MOTOR of Japan is to strengthen its links in Thailand by paying some Y9bn ($60.7m) for 25 per cent stakes in two vehicle manufacturing companies related to Siam Motors, the local Nissan distributor.

The one entity, called Siam Motors & Nissan, makes Nissan-badged cars and last year produced 6,622 Sentra, Bluebird, Cefiro and Cedric units. The other, Siam Automotive Industry, is a commercial vehicle manufacturer which in 1989 made 31,058 Nissan pick-up trucks.

Both are managed by Mr Khunying Phornthip Narongdej, president of Siam Motors, Thailand's only fully local automobile company, which has sold Nissans since the 1950s.

Nissan sees the Siam Motors group as a key part of its Asian programme which involves local production of finished vehicles and components.

Traders are angered by Ferruzzi suspensions

By Haig Simonian in Milan

SHARES in all the members of the Italian Ferruzzi group of companies were suspended yesterday pending an announcement later today.

The news caused confusion and some anger in the market, with complaints that suspension of the shares in Montedison, Ferruzzi Finanziaria (Ferfin), Ferruzzi Agricola Finanziaria (FAF), Eridania and Enimont should have come before trading opened, rather than after prices were fixed on the bourse. Moreover, Enimont, which is only 40 per cent Montedison-owned, sought immediate relisting.

There has been considerable speculation that Ferruzzi would announce a merger between Ferfin, its main financial holding company, and FAF, a smaller holding company controlling agricultural interests, as well as the main Montedison stake.

However, the signs now are that the merger will be between FAF and Montedison. In a terse statement, Ferruzzi said more would emerge after board meetings at the two companies, adding that it had requested Consob, the Italian stockmarket authority, to suspend shares in all the members of the group after learning of rumours that pending board decisions at FAF and Montedison had reached news agencies.

Though causing some confusion at the outset, a possible FAF-Montedison merger, rather than one with Ferfin, may make considerable sense for Mr Raul Gardini, Ferruzzi's president, and members of the Ferruzzi family.

Apart from potential tax advantages, simplifying Ferfin's control of Montedison, presently held through FAF, would reduce dilution should Montedison be planning to dispose of chemicals interests.

Whatever the ultimate logic, the deal may do little to endear Mr Gardini, a wily trader, to his minority shareholders or to those wanting to reform present practice on the Milan bourse. Unconfirmed reports of recent heavy buying of FAF shares by Ferfin abound.

Humberside plant to close as Norsk Hydro profits fall

By Karen Fossli in Oslo

NORSK HYDRO, Norway's largest publicly-quoted company, yesterday announced second-quarter net profits nearly halved and said it is to close by this autumn a 40-year-old granulation plant at its Immingham compound fertiliser facility in Humberside.

The plant has annual production of 600,000 tonnes which will be met by imports. The closure will cost some 215 jobs and a charge of NKr125m ($19.9m) has been made against second-quarter operating income.

Norsk Hydro's net profit plunged to NKr459m from NKr813m in the first quarter, reflecting lower product prices and a weaker performance in the period by each of the company's four divisions. For the half year net income was down to NKr1.27bn from NKr1.70bn last year.

Half-year group operating income fell to NKr3.07bn from NKr4.23bn along with sales which declined by NKr3.23bn to NKr30.40bn.

For the individual divisions, agriculture at the half-year mark saw operating income decline to NKr596m from NKr891m in 1989. But NKr207m in the 1989 figure is attributed to Dyno Industrier, which is no longer included in accounts. Second-quarter operating income fall to NKr189m from NKr407m in the first quarter.

The oil and gas division was hit by lower world crude oil prices. At the half year a slight rise in operating income to NKr1.28bn from NKr1.24bn was achieved. In the second quarter operating income plunged to NKr485m from NKr797m in the first quarter. Oil prices in the second quarter of this year averaged $16 a barrel compared with $19 a barrel in the same period last year.

Operating income for light metals plunged by more than half to NKr753m from NKr1.68bn in the first six months and to NKr282m in the second quarter from NKr471m in the first quarter. Norsk Hydro said that aluminium, which represents about 80 per cent of the company's metals' business, saw spot prices for primary aluminium fall by $1,000 a tonne to $1,500 a tonne while magnesium prices had dropped by 30 per cent.

The light metals division's weakness was exacerbated by continued run-in problems with a new Canadian magnesium plant, whose output averaged roughly 25,000 tonnes versus design capacity of 40,000 tonnes.

Norsk Hydro explained that little income was gained from the plant while full operating and depreciation costs had to be met. This autumn the plant is expected to be running at full capacity.

Dyno improves by 31%

By Karen Fossli

DYNO INDUSTRIER, the Norwegian diversified chemicals group, yesterday announced a 31 per cent improvement in half-year group profits to NKr231m ($36.9m) and forecast higher profits for the year as a whole.

Half-year operating profits rose to NKr296m from NKr226m on respective turnover of NKr3.38bn and NKr3.14bn.

Second-quarter profits increased to NKr137m from NKr94m in the first quarter while operating profits rose to NKr177m from NKr119m in the first quarter.

Dyno said all its core businesses progressed and that its main markets outside Norway are buoyant with considerable sales volume.

US explosive activities particularly contributed to the group's advance.

However, Dyno's machinery group posted an operating loss of NKr5m for the half year. Dyno said the Norwegian construction machinery market showed few signs of short-term improvement.

Pay & Brinck, part of the machinery division, had reduced losses but experienced lower sales.

Profits rise at Banco Comercial Português

By Patrick Blum in Lisbon

BANCO COMERCIAL Português, Portugal's leading private commercial bank, yesterday announced a strong increase in profits and turnover for the first six months of 1990.

Pre-tax profits were Es8.2bn ($57m), double the Es4.1bn achieved in the first six months of last year. Earnings per share, adjusted for a stock split last March, rose 36 per cent to Es124.4.

The bank's total assets rose from Es376bn to Es648.5bn in the 12 months ended June. Turnover rose more than 90 per cent to reach Es40.5bn ($276m) in the first half of this year, compared with Es21.2bn for the same period in 1989.

Mr Jardim Goncalves, president, said the results reflected "the bank's commitment to expand significantly the scope of its activities and to reinforce its competitive edge while maintaining adequate profitability."

Since it was founded less than five years ago, BCP has grown fast, easily outpacing its state-owned rivals. At the end of 1989, it ranked second only to the Caixa Geral de Depositos, the state-owned savings bank, in terms of capital base and profits. It is now Portugal's largest quoted company with a market capitalisation of $1.8bn.

Earlier this month, it set up an investment arm, BCP Investimentos SGPS, which is planned to have a capital base of at least Es8bn by September.

BTF negotiates Adidas stake

BERNARD Tapie Finance said it is negotiating to buy the 20 per cent of Adidas held by Swiss retailer Metro International, to add to the 80 per cent it is acquiring from the German sports group's founding family.

BTF declined to disclose a price for the Metro stake and said it was also undecided whether the holding would be bought by BTF or by its chairman, Mr Bernard Tapie.

INTERNATIONAL COMPANIES AND FINANCE

Framatome prepares a strategy for survival

William Dawkins on the ownership row and declining market facing France's nuclear reactor builder

THE political wrangle over the ownership of Framatome, France's monopoly builder of nuclear reactors, takes place just as the company is seeing the first fruits of its attempt to diversify from the declining nuclear industry.

The group, of special importance in a country that gets 80 per cent of its electricity from nuclear power, the highestproportion of any in the world, has traditionally been kept under semi-state ownership.

However, the status quo was upset last month when Compagnie Générale d'Electricité (CGE), the privatised telecommunications and engineering group which had been a minority shareholder in Framatome, lifted its stake to 52 per cent.

It did this by putting into effect its March agreement to acquire a 12 per cent holding from Dumez, the construction group.

Until then the public sector was the largest shareholder, with 45 per cent in the combined hands of the CEA atomic energy authority and Electricité de France (EdF), the electricity board.

Since then, the Government has been wrestling with CGE to agree a price to buy back some of its shares, while Framatome's fiercely independent management has been running an aggressive publicity campaign and its staff has taken court action to repel the invader.

For them, the whole row is an unwelcome diversion just when they have their hands full trying to expand Framatome into new areas.

"We need to have perhaps 50 per cent of our turnover outside the nuclear industry by 1992," says Mr Armand Aboaf, Framatome vice-president for corporate strategy.

Indeed, it is this moment of vulnerability, along with the existence of a willing private seller of Framatome shares, that gave CGE its chance.

The challenge facing Framatome, the world's third largest builder of reactors after Westinghouse and General Electric of the US, is brutally simple. It has not received a new reactor order for a record four years and its profits have been in steady decline since 1987, to FFr742m ($137m) on a turnover of FFr19.9bn last year.

Until recently, Framatome's plant order books and maintenance schedules were filled automatically by EdF, owner of 56 of the 65 Framatome reactors built or under construction.

Yet EdF now has a surplus of plant and is keen to carry out more maintenance in-house in an attempt to cut costs.

EdF will probably order a new plant next year, though that is hardly cause for celebration for a company that received four to five orders a year in the mid-1980s.In spite of the growing age of Framatome's installed base, the supply of maintenance and services represents only 5 per cent of group turnover and is growing at barely 8 per cent.

Decommissioning could provide extremely lucrative work when Framatome's reactors reach the end of their useful lives, but that is not expected to take place until the middle of the next decade.

Critics, like CGE, maintain that Framatome's big weakness is that it is the only reactor group in the world to make nuclear plant building its main business.

All of its competitors are in the nuclear reactor business as a diversification from their much larger engineering concerns, just the kind of structure that CGE has in mind.

Mr Jean-Claude Leny, Framatome's chairman, is convinced that he does not need a rich industrial parent to hold his hand until the reactor market recovers, probably some time in the late 1990s.

"Our structure gives us much more stability. We want to be in this position. Our competitors' problem is that the moment their chairmen decide on a new orientation in their large industrial groups, the nuclear activities can be wiped out," says Mr Leny.

In any case, he suspects that CGE, far from supporting Framatome's business, is after his FFr1bn cash reserves – an allegation that CGE strongly denies.

Apart from trying to fight off CGE, Mr Leny's survival strategy for Framatome has two strands: international alliances to ensure a more even share-out of the declining market, plus buying into a new market in electrical connectors, essentially industrial plugs, sockets and wires.

The latter accounted for nearly 20 per cent of turnover last year, but a much lower share of profits.

The first alliance, signed early last year, is with KWU, the nuclear subsidiary of Siemens and Framatome's main European competitor, under which the pair will jointly develop a reactor for export markets, from a joint headquarters in Paris. It is a classic example of one-time competitors huddling together in a declining market.

"Fierce competition between France and West Germany did no good, so we thought it better to work in common than alone," admits Mr Marcel Chabrillac, Framatome's nuclear engineering director.

Mr Leny is convinced that European Commission competition authorities, whom he has notified, will see it as "a mutual reinforcement rather than a reduction in competition."

It is too early to look for results, given that the average reactor order takes five to seven years from first negotiations to completion, though the pair are already talking to the Hungarian and Czechoslovakian governments.

The second international link-up, consummated last autumn, is with Babcock and Wilcox (B&W), the engineering subsidiary of McDermott International, the US energy services group, to supply maintenance services to North American reactor operators.

It follows an earlier agreement between B&W and Framatome, as well as the French nuclear fuel producers Cogema and Pechiney Uranium, to co-operate on supplying fuel in America.

Again, it is too early to look for results. "US maintenance clients have been encouraged by the fact Framatome is the only nuclear plant builder in the world which is still has reactors under construction," says Mr Yannick Le Corre, director of nuclear services for the French group.

Framatome's move into connectors came through the rapid acquisition of three loss-making small companies in France and the US, for a total of FFr3.3bn, over a period of eight months from July 1988 to February last year. It might seem an odd business for a reactor builder, as CGE has continued to remind Framatome's management.

A diversification think tank, set up under Miss Eliane Morin in 1985, wanted originally to diversify into engineering, but reconsidered that choice after failing to gain control of Télémecanique, the French industrial automation concern, two years ago.

Electronics was next for consideration, but rejected as being too risky and expensive. "We didn't want to become another Thomson," says a Framatome executive.

Electrical components were next to come under the spotlight. Framatome felt that connectors would give it access to the high-growth electronics market as well as to a broad customer base including car producers, industrial controls, and aerospace.

"The industry is fragmented enough so that by buying a few companies and pulling them together, you can buy a decent market share," adds Miss Morin, who now runs the connectors division.

Miss Morin estimates that the three connector businesses, Jupiter and Souriau of France and Burndy of the US have a 5 per cent to 6 per cent world market share.

All the same, it is an ambitious project for a company which is used to dealing with big public customers, quite different from the fast, aggressive world of connectors.

"We knew it was different and had to be managed differently right from the start. That is why we have kept most of their management in place," says Miss Morin. She is helped by being given more autonomy than other Framatome divisional heads and needs to consult the main board only for large investments.

Since the takeovers, she has pooled the three connector companies' distribution and marketing, pumped in $100m to reduce their debts, cut staff costs by 20 per cent at one company and raised prices by up to 30 per cent for some products, as a result of which they made a small profit last year.

Miss Morin is expecting a 5 per cent return on sales within three years – rather better than the group's overall margin now.

So Framatome's diversification strategy is beginning to pay off. The big question now is whether it can come through this political row with its main business unscarred. Potential reactor buyers in China and South-east Asia are already uneasy. The nuclear engineering division's Mr Chabrillac warns: "When clients are not sure whether they will be dealing with the same person next time, that's not favourable – especially not in our industry."

Court seeks advice on CGE row

THE PARIS commercial court has asked two law professors to help clear up the row over the ownership of Framatome, writes William Dawkins in Paris.

It wants them to advise on whether a 40 per cent stake in Framatome now held by Compagnie Générale d'Electricité (CGE), the telecommunications and engineering company which is trying to win control of the plant builder, should belong to the Government.

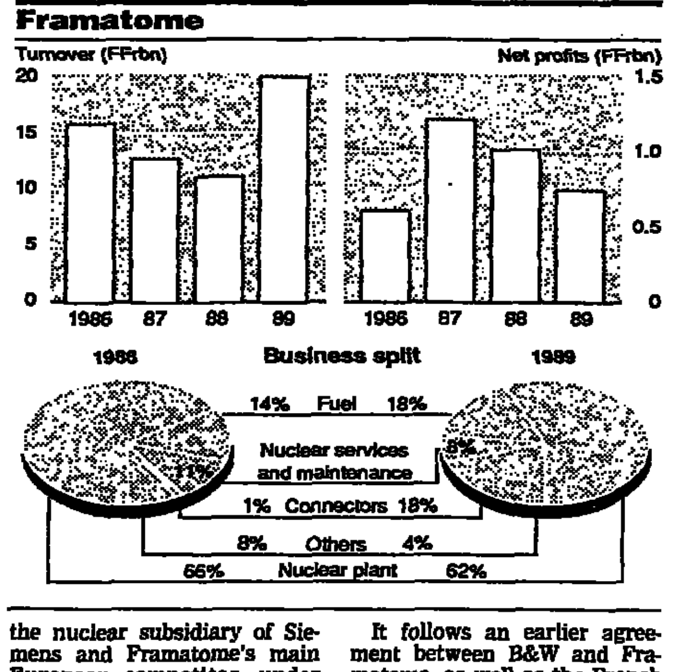
Framatome's staff council, which, with its management, wants to stay independent, launched a court action early this year claiming that CGE's shares were irregularly transferred to the private sector when CGE was privatised in 1987.

In May, the court threw out their demand that the 40 per cent stake should be sequestered, but agreed they had a right to question whether the shares should have been transferred into the private sector. The next hearing will be on September 4.

CGE agreed in March to buy another 12 per cent stake in Framatome from the Dumez construction group, giving it a 52 per cent majority. Another 45 per cent is held by state-owned bodies, with the remaining 3 per cent in the hands of Framatome staff.

Mr François Mitterrand, the French President, has said he wants the public sector to take control of the company, though the rest of the Government has been divided on whether to share power with CGE.

Framatome



Goodyear posts $9.4m deficit in soft market

By Barbara Durr in New York

AN AFTER-TAX charge of $21.4m, or 37 cents per share, and a soft tyre market depressed second-quarter results at Goodyear Tire & Rubber Co, the world's largest rubber manufacturer.

The Akron, Ohio-based company reported a loss of $9.4m, or 16 cents a share, for the period, compared to a profit of $27.1m or 47 cents for the second quarter of 1989.

The charges arose from a restructuring of the company's North American tyre operations and the closing of its Bedford, Massachusetts, roofing systems plant. The streamlining of tyre operations, which resulted in a pre-tax charge of $20m, was designed to improve their cost effectiveness. The charges were related to reductions of some 1,100 personnel.

The closure of the New Bedford plant took another $15m from pre-tax income for plant shutdown expenses and personnel reduction.

The company said results also reflected depreciation as well as operating and interest expenses in its troubled oil pipeline project. Recognition of these items, which were capitalised, would have brought down the year-earlier period net income by $26.8m, or 47 cents per share. Oil transport operating losses were $12.8m in the 1990 second quarter.

Although worldwide sales were up slightly in the second quarter to $2.9bn from $2.8bn a year ago, tough price competition in North America and Europe for both tyres and general products; higher costs; a long strike at its tyre plant in Turkey; and the impact of economic reforms in Brazil affected results. Operating income fell in US businesses by 40.3 per cent to $77.1m for the quarter, and in Europe by 33.8 per cent to $59.6m.

Given the weakness in the original equipment automotive market for tyres, Goodyear increased its world tyres sales by 2.9 per cent in the quarter by pressing into the replacement market.

Shares on the New York Stock Exchange went $⅞ lower to be $27¼ at midday.

Fierce competition in US drags down GM and Ford

By Martin Dickson in New York

GENERAL Motors and Ford, the two largest US car companies, yesterday reported sharply lower second-quarter earnings due to fierce competition in the depressed North American market and problems overseas. Ford was hit by strikes in Europe, and both were affected by economic upheavals in Brazil.

Net income at GM dropped by 38 per cent, from $1.45bn in the second quarter of last year to $900m, while sales and revenues were little changed at $33.9bn, compared to $33.5bn. Earnings per share were $1.32, against $2.23.

At Ford, net income fell 45 per cent, from $1.4bn to $771m, on sales and revenues of $26.9bn, up $982m from the second quarter of last year. Earnings per share were $1.67, compared to $3.

In the US market, where overall car and truck sales were down 3.63 per cent in the first half of this year, the two companies have had to cut prices through rebates and other devices as they battle for market share against Japanese producers. Meanwhile, in Brazil, where both companies have substantial operations, car sales have been hit by the Government's radical economic policies and industrial disruption in the motor industry.

GM said the second-quarter figures reflected higher North American sales incentives. But it noted that it was the only US company to increase its market share in cars, trucks and total vehicles during the first six months of the year, and would offer more all-new vehicles than any other in the coming model year.

GM dealers in the US sold 1.38m cars and trucks in the second quarter, down 5.5 per cent from a year ago, while the overall market fell 6.3 per cent. Worldwide factory sales to GM dealers were down 1.8 per cent in the quarter, to 2.14m units.

With the slump in US profits, GM and Ford have both been relying on foreign operations to bolster earnings. GM said its overseas profits performance, excluding Brazil, had continued at a record level. There had been record second-quarter and first-half sales in Europe and Asia/Pacific. However, the upheavals in Brazil meant the operation there incurred a first-half loss.

The group's three non-motor subsidiaries produced mixed results. Electronic Data Systems made earnings of $125m, up $20.4m; GM Hughes Electronics produced $189m, compared to $240m; and GM Acceptance, the finance arm, made $302, up $33m.

Ford said its worldwide automotive operations made $529m in the quarter, down $705m compared to a year ago, on sales of $23bn. In the US, its profits were $356m, down $103m, because of lower vehicle production, higher incentive costs and higher costs for developing products.

Outside the US, automotive profits were $173m, down $602m. This was due mainly to problems in Europe, where vehicle production was lower – partly due to strikes in Belgium and Britain – and increased competition had driven up marketing costs. Ford was also hit by events in Brazil, where it has a joint venture with Volkswagen.

The company's financial services operations produced earnings of $242m, up $69m, or 52 cents a share.

Ford's share of the US car market dipped 1 percentage point in the first half, to 21.3 per cent, but Mr Harold Poling, chairman, said he believed this would improve as the new 1991 products became available. Its truck market share rose ½ point to 29.3 per cent, thanks in part to the successful launch of its new sports-utility vehicle, the Explorer.

European sales help Compaq

By Louise Kehoe in San Francisco

COMPAQ Computer, the US personal computer manufacturer, reported a strong second quarter with earnings meeting expectations. The company said that 53 per cent of its second-quarter revenues came from outside North America, mostly from Europe.

Net income for the second quarter rose to $104m, a 24 per cent increase over net income of $84m in the second quarter of 1989. Earnings per share rose to $1.18 from 98 cents in the corresponding quarter last year.

Net income for the quarter includes a one-time gain of $7.5m, or 5 cents per share, resulting from an increase in the carrying value of Compaq's equity stake in Conner Peripherals, its primary supplier of disk drives. Sales revenues for the quarter were $862m, a 19 per cent increase over sales of $722m in the second quarter of 1989.

For the six-month period, net income was $196m, or $2.23 per share, compared with $167.9m or $1.94 per share. Earnings per share were adjusted for a two-for-one stock split.

Sales for the first half of the year were $1.7bn, compared with $1.4bn during the corresponding period last year.

"Our international sales grew 42 per cent; North American sales grew 2 per cent," said Mr Rod Canion, president and chief executive.

Compaq faced a shortage of components during the second quarter, Mr Canion said. Unexpectedly high demand for some of the company's older products, which are being phased out, left the company short of components including disk drives and semiconductor devices, said Mr Daryl White, chief financial officer.

Low component inventories allowed Compaq to take full advantage of decreasing prices for memory chips and microprocessors. However, Mr White added, this raised the company's gross margins.

Concerns about the component shortage and the company's increasing reliance upon Europe for revenue growth caused an initial drop in Compaq's stock price. The stock opened at $57, down from a Wednesday close of $59⅞. It quickly regained much of the loss in heavy trading.

Canadian papers hit by fall in advertising

By Bernard Simon in Toronto

SOFT advertising and commercial printing revenues as well as sharply higher interest costs have severely depressed the second-quarter earnings of Canada's three leading media groups.

Maclean Hunter, whose interests include newspapers, trade magazines and cable television, suffered a 35 per cent slump in net earnings to C$18m (US$15.6m). At Southam, which owns 16 daily newspapers, income tumbled by 41 per cent to C$14.7m. Torstar Corp, which publishes the Toronto Star, Canada's top-selling daily paper, saw a 32 per cent drop in earnings to C$17.9m. Torstar has a 23 per cent interest in Southam.

Newspapers in the Toronto area, where the housing market and consumer spending have wilted in recent months, have been especially hard hit by the drop in advertising.

The Toronto Star's advertising lineage was down 10 per cent in the second quarter.

The Toronto Sun also saw advertising fall sharply. Its owners, Toronto Sun Publishing – a Maclean Hunter subsidiary – said however, that its two loss-making papers, the Ottawa Sun and the Financial Post – in which the Financial Times has a minority interest – are losing "considerably less" than last year.

Maclean Hunter also predicted that both this year and 1991 would be "difficult years." It pointed to the lacklustre business outlook, the burden of absorbing recent acquisitions, investments in newspaper start-ups and its entry into the British cable-TV industry.

The cost of financing last year's C$600m acquisition of Selkirk Communications, a chain of television and radio stations, was responsible for pushing Maclean Hunter's interest bill to almost C$20m in the latest three months from C$5.2m a year earlier. It said that half its earnings decline could be attributed to the Selkirk takeover.

General Instrument bids are withdrawn

GENERAL INSTRUMENT, the US cable television equipment maker, has announced that two potential bidders have dropped their interest in it, leaving only the $1.6bn offer from Forstmann Little.

The leveraged buy-out firm announced its offer of $44.50 a share in July, confident no other bids would surface. However, two other companies quickly said they were looking at General Instrument.

General Instrument never identified the bidders, referring to them only as "financial entities." Both parties told General Instrument yesterday they were no longer interested in a deal.

Du Pont puts pharmaceutical units into venture with Merck

By Karen Zagor in New York

DU PONT, the biggest US chemicals company, is injecting all of its pharmaceutical and radiopharmaceutical imaging agents businesses into a joint venture with Merck, one of the world's biggest pharmaceuticals companies.

"Du Pont Pharmaceuticals will become the nucleus for a new, free-standing company," said Mr Roger Morris, a Du Pont spokesman.

The new company, which will be called Du Pont o Merck Pharmaceuticals, is expected to have first-year sales of about $700m, with a first-year research and development budget of $230m and a staff of about 1,500.

"This is a very elegant way for Du Pont to continue to participate in the pharmaceutical industry without conceding defeat or having to invest more money in what was starting to look like a black hole," said Mr Viren Mehta, a drugs industry analyst and partner at Mehta Isaly in New York.

Du Pont's pharmaceuticals business, which is expected to have sales of about $550m in 1990, evolved from Endo Laboratories, which the Illinois-based chemical company bought in 1969.

Although the Du Pont business was well regarded as a high quality operation, analysts said it did not have the necessary global resources in research and marketing to make it a leading player in pharmaceuticals industry.

"This joint venture is a reflection of the changing complexion of the pharmaceutical industry worldwide," said Mr Mehta. The new company will be able to take advantage of Merck's international expertise. Merck said it would contribute development funds, certain marketing rights to several of its prescription medicines, and cash.

The new company will concentrate on building its European businesses base by adding current Merck pharmaceutical products and expanding its European sales force. It is not expected to produce significant commercial results until the late 1990s.

The two companies already have a marketing and research and development agreement, giving Du Pont certain rights to current Merck products in exchange for Merck access to a class of Du Pont antihypertensive compounds.

BCE bolstered by strength in core telecom business

By Robert Gibbens in Montreal

STRENGTH IN its core regulated telecommunications business continues to bolster performance of BCE, the big Canadian holding company undergoing a restructuring.

Second-quarter consolidated net profit, after preferred dividends, was C$247m (US$214.4m), or 82 cents a common share, down 15 per cent from $291m, or 99 cents a year earlier. Total operating revenues from telecommunications, manufacturing, financial services, energy and other operations, including real estate, was C$4.6bn, up 10 per cent.

Bell Canada, the telephone utility, contributed C$221m, against C$195m a year earlier.

BCE's first-half earnings after preferred dividends were C$496m, or C$1.64 a share, against C$530m, or C$1.81 a share, a year earlier. Total operating revenues were C$9b, up 15 per cent.

Bell Canada contributed C$441m against C$400m and Northern Telecom C$102m against C$73m. Bell Canada's revenues overall rose about 5.5 per cent. Northern Telecom's earnings were up sharply.

BCE said the core businesses all did well in the latest quarter, while the year-earlier period included a one-time gain of C$51m on the sale of part of BCE Mobile Communications. Real estate and several other miscellaneous activities made a negative contribution.

At June 30, BCE's loans to troubled Kinburn Corp, a high technology group based in Ottawa, were carried at C$350m. BCE failed to agree on terms to take over Kinburn and a group of banks is now trying to negotiate resolution of Kinburn's total debt of around C$800m.

Rio Algom hurt by lower prices and tighter margins

RIO ALGOM, the principal Canadian metals and mining affiliate of RTZ of the UK, has reported a 42 per cent decline in first-half earnings due to disposal of its Atlas Steels subsidiary in 1989, lower commodity prices and tighter margins in metals distribution, writes **Robert Gibbens**.

Net profit was C$39.3m (US$34.1m), or 86 cents a share, down from C$68.2m or $1.51 a year earlier. Revenues dipped 31 per cent to C$710m. Second-quarter earnings were C$19.2m, or 42 cents a share, against C$26.3m or 57 cents a year earlier.

Contribution from Rio's 34 per cent interest in Highland Valley Copper in southern British Columbia was lower because of declining copper prices. Potash shipments were lower and tin mining took bigger losses because of sharply lower metal prices.

The Nova Scotia mine could be revamped to raise efficiency or could be shut down. It accounts for about 2 per cent of Rio's total revenues.

Uranium operations turned in better results, with lower operating costs at the Elliot Lake mines.

● **Pan Canadian Petroleum**, the energy arm of Canadian Pacific, reported a 62 per cent drop in second-quarter earnings because of sharply lower oil prices and lower natural gas volumes. Profit was C$13.7m, or 11 cents a share, against C$35.9m or 29 cents a year earlier. Revenues dipped 13 per cent to C$169m.

First-half earnings were down 21 per cent to C$58m, or 46 cents a share, on revenues of C$395m, up 16 per cent.

Disposals boost UAL to $141.1m

UNITED Airlines, which recently regained its title as the largest US carrier from American Airlines, has turned in higher second-quarter profits thanks mainly to some asset sales, writes **Roderick Oram**.

Delta Air Lines, the third largest carrier, reported in contrast a sharp downturn because of widespread fare discounting and a strong year-earlier quarter when it benefited from the strike at Eastern Air Lines.

UAL, parent of United, reported net profits for the second quarter of $148.3m, or $6.81 a share, against $141.1m, or $6.52. The latest profit included net gains, mainly from aircraft sales of $63m against $17.3m a year earlier. Revenues rose to $2.74bn from $2.52bn.

Fare yields increased 1.9 per cent to 12.84 cents per passenger-seat mile from 12.61 cents a year earlier. Capacity increased 8.2 per cent to 28.4bn seat miles from 26.2m, while revenues from passenger miles rose to 18.8bn from 17.4bn. Operating profits fell to $178.5m from $221.6m.

The results will be carefully scrutinised by bankers in coming days because United's employees are trying to raise more than $4bn by early August to finance a leveraged buy-out of the company.

The airline began transatlantic service in May, with routes from Chicago and Washington to Frankfurt. Pacific traffic volumes year-to-date are up 33 per cent on less than a 25 per cent increase in capacity.

Net profits for the first half were $111.9m, or $5.14 a share, against $206.5m, or $9.55. Operating profits were $131.4m against $364.3m. Revenues rose to $5.26bn from $4.84bn.

Delta reported a profits for its fiscal fourth quarter ended June 30 of $74.1m, or $1.47 a share. They were markedly weaker than Wall Street had expected and down sharply from $190.8m, or $3.87 a year earlier. Revenues slipped to $2.24bn from $2.31bn.

For the full year it had net profits of $302.8m, or $5.79 a share, against $460.9m, or $9.37.

Whirlpool net slides to $37m

By Roderick Oram in New York

DIFFICULT economic conditions in Brazil continued to drag down the results of Whirlpool, the world's largest maker of large home appliances, during the second quarter.

Net profits for the three months ended June fell to $37m, or 54 cents a share, from $50m, or 72 cents, a year earlier. Revenues rose to $1.71bn from $1.64bn, reflecting mainly a weakening of the US dollar. If results of its Brazilian affiliates were excluded, net profits would have been 63 cents a share against 52 cents a year earlier.

In spite of a softening US market, Whirlpool increased domestic sales, profits and shipments in the second quarter thanks to aggressive marketing, cost controls and higher productivity. It believes the industry's US sales will fall by between 1 and 3 per cent this year.

European sales were higher in most categories and gross margins improved. Whirlpool continued its ground work for introducing its brand name in Europe alongside the Philips name.

It took control of the Dutch group's main household appliance business two years ago. It forecast the European market would grow by between 1 and 3 per cent this year but remain very competitive.

First-half net profits were $66m, or 96 cents a share, against $91m, or $1.31, a year earlier. Revenues were $3.34bn against $3.22bn.

Black & Decker up sharply to $16.1m

By Roderick Oram

BLACK & DECKER, the US power tools and hardware group, has reported sharply improved results reflecting wider operating margins and its acquisition last year of Emhart, a maker of plumbing fixtures and industrial products.

Net profits for the second quarter ended July 1 were $16.1m, or 26 cents a share, against a net loss of $5.2m, or 9 cents, a year earlier. Revenues rose to $1.22bn from $847.6m.

The year earlier figures excluded Emhart because the deal was finalised during the quarter.

"Despite soft economic conditions in the US, locks and hardware continued to show double-digit sales and earnings growth," said Mr Nolan Archibald, chairman. "Sales of professional power tools, particularly to construction customers, also continued to show steady gains."

Sales in Europe and other foreign markets increased modestly. Commercial and industrial businesses performed well. The company also benefited from further improvements in manufacturing efficiency.

Black & Decker has already paid down about $500m of the debt it incurred to buy Emhart. It plans further asset sales to reduce debt by $1bn.

At the end of the second quarter, long-term debt was $2.8bn.

Anheuser-Busch turns in record figures

By Roderick Oram

ANHEUSER-BUSCH, boosted by new brands, has turned in record sales and profits and raised its share of the US beer market by another percentage point to 42.9 per cent.

Net profits for the second quarter ended June rose 10 per cent to $257.5m, or 90 cents a share, from $233.7m, or 82 cents, a year earlier.

Beer shipments to wholesalers grew by 4.3 per cent to 22.3m barrels, helping to push sales net of excise tax to $2.78bn from $2.48bn.

The brewer increased its quarterly dividend to 25 cents a share from 22 cents. Its first-half net was also a record at 440m, or $1.54 a share, against $400.8m, or $1.40 a year earlier.

Beer shipments were 42.4m barrels against 41m and sales $5.17bn compared with $4.68bn.

"We are extremely pleased with our beer company's performance," said Mr August Busch III, chairman.

Volume growth was "primarily attributable to the introduction of Bud Dry and Busch Light and to the strong performance of our other light beers," he said.

The group's results were also bolstered by higher profits at Campbell Taggart, its diversified foods subsidiary, and at Metal Container, its beer can manufacturing subsidiary.

INTERNATIONAL CAPITAL MARKETS

E Germany plans tender issue of short-term notes

By **Andrew Freeman** in London and **Janet Bush** in New York

EAST GERMANY is preparing to launch an issue by tender of short-term debt carrying the guarantee of the Federal Republic in what will mark its first direct funding for economic restructuring following monetary union with West Germany.

The issue, which could come as early as next week, is expected to have a maturity of 1-1½ years and is likely to come in the form of zero coupon notes. There are legal reasons, including the requirement to issue a prospectus and listing rules, for not launching a bond issue.

Market participants expect East Germany to borrow around DM10bn in its own name this financial year and may stick to short-term instruments in anticipation of eventual reunification with West Germany. Short-term paper should be of interest to banks which can use the paper as collateral for repurchase agreements.

GOVERNMENT BONDS

The news had little affect on the Bund market yesterday, where patchy trading was influenced mainly by news that the August issue of new Bunds will be fixed in committee next Tuesday.

The issue will be the first to use the new tap-style auction method. There was speculation that the Bundesbank will hold back around DM2bn of the expected DM8bn issue for price regulation. Traders were suggesting that the Bunds will have an 8½ per cent coupon and there was talk that the issue price will be in the range of 100.60 to 100¾.

News of the committee meeting set off an active day on the cash market as investors adjusted their positions, although for once this was not led or mirrored by the futures market which traded in a narrow range with limited turnover.

The benchmark 10-year Bund was fixed at 101.64 to yield 8½ per cent, and was little changed in later trading. Prices were up around 5 pfennigs at the fixings, but retreated later to close around 15 pfennigs lower on average.

■ In the UK, the index-linked sector of the government bond market had a good day, prices rising ½ point as the recent selling pressure went into reverse.

The main market was quietly mixed, with trading moving in reaction to a muted performance by sterling on the foreign exchange markets. The benchmark 11¾ per cent gilt maturing 2003-07 was trading around 101$\frac{11}{16}$ to yield 11.48 per cent. Prices on average were up by around ¼ point on the day in thin trading.

■ US Treasury bonds traded narrowly mixed during the morning session yesterday with no new economic figures to chew on until today's second quarter GNP and caution about any news which may emerge from a budget meeting in Washington and Opec.

At midsession, short-dated maturities were quoted $\frac{1}{32}$ point lower and the Treasury's benchmark long bond stood $\frac{1}{32}$ point higher to yield 8.53 per cent. The only near-term focus of the market yesterday was the one-year bill auction. This was not expected to see as good demand as the two-year auction on Wednesday.

Forecasts for second-quarter GNP range from a growth rate of 1.5 per cent to as high as 2.3 per cent with the consensus estimate at 1.8 per cent, down a little from 1.9 per cent in the first quarter.

In the longer-run, the market is still trying to interpret where the US Federal Reserve stands on monetary policy.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-16	+2/32	12.43	12.46	12.34
		10.500	5/99	92-19	+6/32	11.87	11.81	11.55
		9.000	10/08	84-22	+9/32	10.95	10.92	10.67
US TREASURY *		8.875	05/00	102-18	+2/32	8.48	8.50	8.50
		8.750	05/20	102-08	+4/32	8.54	8.55	8.49
JAPAN	No 119	4.800	6/99	85.5826	-0.388	7.50	7.31	7.14
	No 2	5.700	3/07	88.8411	-0.406	7.17	6.94	6.71
GERMANY		7.750	02/00	95.1000	-	8.50	8.41	8.71
FRANCE	BTAN	9.000	02/95	97.1309	+0.158	9.77	9.85	9.97
	OAT	8.500	03/00	93.5500	+0.050	9.53	9.55	9.59
CANADA *		9.750	05/00	94.3000	-0.150	10.70	10.68	10.78
NETHERLANDS		9.000	05/00	101.7400	-0.040	8.72	8.65	8.86
AUSTRALIA		12.000	7/99	93.7343	-	13.21	13.18	13.57

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Swiss capital exports down 27%

SWISS capital exports fell 27 per cent in the second quarter from a year earlier to SFr9.1bn as debt issues for foreign borrowers slumped and foreign lending grew, Reuter reports from Zurich.

According to the Swiss National Bank, weakness on Japanese stock exchanges continued to cast a shadow over the Swiss market, where Japanese companies had been frequent issuers of equity-linked debt.

The bank said convertible debt issues collapsed 99 per cent from a year earlier, while issues with warrants dropped 84 per cent. In all, foreign debt issues slid 38 per cent in the quarter. Straight debt staged a come-back, climbing 204 per cent from a year earlier as long-term interest rates started to come off their highs.

Straight issues' share of all new issues rose to 96 per cent in the quarter from 61 per cent in the first quarter.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on July 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99¼	99¾	-⅛	9.17
ALBERTA PROVINCE 9 3/8 95	600	101½	101¾		8.99
AMERICAN GENERAL 9 3/4 95	100	98⅝	98⅞	+⅛	10.18
AUSTRALIA 11 1/4 00	100	106⅞	107⅜	-1⅞	10.10
AUSTRIA 8 1/2 00	400	95¼	95⅝		9.26
BANK OF TOKYO 8 3/8 96	100	96⅛	96½	+⅛	9.26
BELGIUM 9 1/8 92	400	100⅝	101	-⅛	8.77
BFCE 7 3/4 97	150	93¼	93¾		9.11
BNP 8 5/8 94	300	98¾	99⅛		8.97
BP CAPITAL 9 5/8 93	150	101⅝	102⅛	+⅛	9.05
CANADA 9 96	1000	100¾	101		8.80
CCCE 9 1/4 95	300	101⅜	101¾	+⅛	8.85
COUNCIL EUROPE 8 96	100	95⅛	95½	+⅛	9.08
CREDIT FONCIER 9 1/2 99	300	101⅜	101⅝	+⅛	9.24
DENMARK 0 98	250	49	49½	+⅛	9.29
DENMARK 8 1/4 94	150	97⅝	98		8.97
ECSC 8 1/4 96	193	96⅛	96½	+⅛	9.06
EEC 7 1/4 93	250	96⅝	97		8.72
EIB 7 3/4 96	250	94¼	94⅝	+⅛	9.04
EIB 10 97	250	104⅛	104⅝	+⅛	9.08
ELEC DE FRANCE 9 98	200	99½	99⅞	+⅛	9.08
EUROFIMA 9 1/4 96	100	101	101½	+⅛	8.99
EXPORT DEV CORP 9 1/2 98	150	101⅝	102		9.20
FINLAND 7 7/8 97	200	93¼	94⅛	+⅛	9.28
FINNISH EXPORT 9 3/8 95	200	101½	101⅞		8.99
FORD MOTOR CREDIT 9 1/2 93	300	101⅛	101⅝		9.06
GEN ELEC CAPITAL 9 3/8 96	300	101½	101⅞		9.02
GMAC 9 1/8 96	200	100⅛	100⅝	+⅛	9.07
HALIFAX 9 1/2 93	200	101	101½	-⅛	9.08
IBM WORLD TRADE 7 5/8 93	150	95⅝	96½	-⅛	9.19
IND BK JAPAN FIN 7 7/8 97	200	93⅛	93⅝	-⅛	9.28
INTER AMER DEV 7 5/8 96	200	93	93½		9.16
ITALY 8 1/2 94	1500	98⅝	98⅞		8.88
JAPAN DEV BK 8 94	150	97⅛	97⅝		8.87
KANSAI ELEC PWR 10 96	350	102⅞	103⅜	+⅛	9.30
LTCB 8 5/8 93	150	99⅜	99⅞		8.87
NEW ZEALAND 8 93	100	97½	98		9.01
NIPPON CRED BK 9 3/4 93	150	101⅞	102⅜	+⅛	9.03
NIPPON TEL & TEL 9 3/8 95	200	101⅞	102⅜	+⅛	8.97
NISSAN ACCEPT CORP 9 1/4 91	150	99⅞	100⅝		9.36
OLYMPIA & YORK 8 1/4 96	435	91¾	93¼	+⅛	10.16
ONTARIO HYDRO 11 5/8 94	200	106⅛	107⅜	-½	9.42
OSTER KONTROLLBANK 8 1/8 93	200	98⅛	98¾		8.81
PRUDENTIAL RLTY SECS 0 99	365.216	46⅝	47⅛	+⅛	9.43
QUEBEC HYDRO 9 3/4 98	150	101¾	102⅛	+⅛	9.42
QUEBEC PROV 9 98	200	98⅛	98⅝		9.34
SAINSBURY 9 1/8 96	150	99⅝	100⅛		9.19
SAS 10 99	200	101¾	102⅛		9.76
STATE BK STH AUST 9 1/4 93	100	100⅜	101⅜	+⅛	9.03
SUMITOMO TST 7 3/4 91	100	98½	98⅞		8.97
SWEDEN 8 1/8 94	150	97⅛	97¾	+⅛	9.02
SWEDISH EXPORT 9 5/8 93	100	101⅞	102⅛		8.74
TOKYO METROPOLIS 8 1/4 96	200	96	96½	+⅛	9.10
WORLD BANK 8 3/8 99	1500	96¼	96⅞	+⅛	9.09
WORLD BANK 8 3/4 97	1500	99⅝	99¾	+⅛	9.02
XEROX CORPN 8 3/8 96	100	93¾	95⅛	+⅛	9.76

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	97¼	97¾	+½	8.81
AUSTRIA 6 98	400	84¼	84⅞		8.81
CNT 6 1/8 98	200	84⅛	84⅞	-⅛	8.92
CREDIT FONCIER 6 3/4 99	500	87⅞	88		8.80
DEUTSCHE BK FIN 5 5/8 96	750	86⅞	86⅞	+⅛	8.57
EEC 5 3/8 93	300	92¼	92¾		8.78
EIB 6 1/8 96	300	87⅞	88⅛	+⅛	8.83
EIB 6 7/8 95	300	92⅝	92⅞		8.65
ELEC DE FRANCE 6 1/8 98	300	85⅜	85⅞	-⅛	8.68
EUROFIMA 6 1/4 98	400	84⅜	84¾	-⅛	9.01
FERRO DEL STAT 5 3/8 93	500	92⅞	92⅞	+⅛	8.68
IND BK JAPAN FIN 5 5/8 96	200	85⅝	85⅝	+⅛	8.92
INTER AMER DEV 7 1/4 99	300	91½	91½	+½	8.65
LUFTHANSA INT FIN 5 7/8 98	500	83⅝	83⅞	+⅛	8.83
QUEBEC HYDRO 6 3/4 99	300	86¼	86¾	+⅛	9.00
SWEDEN 6 1/8 98	300	85½	85½	-⅛	8.80
WORLD BANK 0 15	2000	14⅞	14⅞		7.79
WORLD BANK 5 3/4 96	300	86⅞	87	+½	8.79
WORLD BANK 7 1/8 95	500	94⅝	94⅞	+⅛	8.60

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	89½		+½	6.98
AUSTRIA 4 5/8 98	100	88	88¼		6.70
COUNCIL EUROPE 4 3/4 98	250	87	87½	-⅛	7.02
DENMARK 3 3/4 91	100	97½	98½		8.03
EEC 5 1/2 00	100	90¼	90½	+⅛	6.84
EIB 5 3/4 93	100	97	97½	-½	6.80
FINLAND 5 3/8 95	150	93¼	94		6.82
JAPAN DEV BK 5 1/2 94	100	94½	95½	-½	7.30
MOUNT ISA FINANCE 5 3/4 94	100	92	92½		8.28
NEW ZEALAND 4 7/8 99	200	86½	87		7.03
POLLY PECK INTL FIN 6 1/4 96	100	85¼	85½	+½	9.78
QUEBEC HYDRO 5 08	100	80	80½	+½	7.00
SKANDINAVISKA ENSK 6 1/2 95	100	99	100	+⅛	6.75
WORLD BANK 6 1/4 92	100	98½	99		6.99
WORLD BANK 7 1/4 92	100	100¾	101¼	+⅛	6.83

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	92½	92⅞		7.39
CANADA 4 3/8 92	80000	94¾	95		7.41
CREDIT FONCIER 5 1/4 94	30000	91⅞	92¼	-⅛	7.54
DENMARK 7 95	40000	98½	98¾	-⅛	7.39
EIB 4 5/8 94	40000	91⅜	91⅞	-⅛	7.31
GENERAL ELECTRIC 5 3/4 93	35000	95¾	96¼	-⅛	7.54
INTER AMER DEV 7 1/4 00	30000	100¼	100⅞	-⅛	7.23
ITALY 5 3/4 92	150000	97½	97⅞		7.47
KANSAI ELEC PWR 4 5/8 94	60000	90⅞	91¼	-⅛	7.49
NIPPON TEL & TEL 5 7/8 96	50000	93⅜	93⅞	-½	7.19
NORWAY 5 1/8 95	50000	91⅜	91⅞	-⅛	7.36
SWEDEN 5 5/8 95	20000	92⅝	93¼	-⅛	7.39
WORLD BANK 6 3/4 00	50000	97½	97⅞	-⅛	7.11

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	93⅛	94⅛	+⅛	9.33
KREDIETCORP 7 93 LFr	1000	93⅞	94⅞	+⅛	9.41
WORLD BANK 8 96 LFr	1000	94⅛	95⅛	+⅛	9.29
AMRO BANK 6 1/4 92 Fl	150	94⅛	94⅞		9.53
DENMARK 8 1/2 91 Fl	100	99⅛	100		9.60
HEINEKEN 7 5/8 94 Fl	150	95¼	96		9.11
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94½	95¼		9.50
RABOBANK 5 3/4 93 Fl	150	92	92¾		9.33
WORLD BANK 6 1/4 91 Fl	100	97½	98¼		10.39
ALBERTA PROVINCE 10 92 C$	500	96	96⅛		12.40
BCE INC 9 5/8 93 C$	300	93⅝	94⅛	+⅛	12.45
BELL CANADA 10 5/8 99 C$	150	93¾	94¼		11.79
BRITISH COLUMBIA 9 1/4 93 C$	150	93⅛	93⅝		12.44
EIB 10 1/8 98 C$	130	92¼	92¾		11.69
FORD CREDIT CANADA 10 94 C$	100	93⅛	93¾	+⅛	12.21
GENERAL ELECT CAP 10 1/4 93 C$	175	94¼	95¼	+⅛	12.31
MONTREAL TRUSTCO 8 1/2 92 C$	100	93⅛	94	+⅛	12.93
ONTARIO HYDRO 10 7/8 99 C$	500	96	96⅛	+⅛	11.61
QUEBEC PROV 10 1/2 98 C$	200	92⅞	93⅜		11.86
ROYAL TRUSTCO 10 1/4 93 C$	100	94⅜	94⅞		12.70
SWEDEN 9 3/4 93 C$	250	94⅞	95⅜		11.99
AUSTRIA 7 3/8 93 Ecu	125	93	94⅛		10.47
CNT 7 3/8 93 Ecu	250	91⅞	93⅛	-⅛	10.75
CREDIT LYONNAIS 9 96 Ecu	125	96⅛	96⅝	+⅛	9.89
DENMARK 7 5/8 96 Ecu	250	90⅛	90⅝	+⅛	9.95
EEC 7 5/8 94 Ecu	200	92⅞	93⅜		10.06
EIB 10 97 Ecu	500	100⅝	100⅞	+⅛	9.84
ITALY 10 3/4 00 Ecu	1000	105¼	105½		9.87
SWEDEN 7 1/2 93 Ecu	250	92⅞	93½	-⅛	10.11
BMW FINANCE 14 1/2 92 AS	100	100⅜	100⅞	-⅛	14.11
COUNCIL EUROPE 13 93 AS	50	100⅜	100⅞	+⅛	12.73
EKSPORTFINANS 12 3/8 95 AS	75	95⅝	96⅛	+⅛	13.64
FORD CRED AUST 13 93 AS	50	96¾	97¼	+⅛	14.48
HEINZ 12 3/4 91 AS	100	97½	98½	-⅛	15.79
ICI 15 1/2 92 AS	100	101¾	102¼	+⅛	14.27
NAT AUSTRALIA BANK 14 3/4 94 AS	150	100⅝	101⅛		14.42
STATE BK NSW 14 1/4 99 AS	100	101	101½		14.02
VOLKSWAGEN INTL 15 94 AS	100	102½	103		14.03
BARCLAYS JERSEY 9 1/2 93 £	250	91⅛	91¾	+⅛	13.47
EIB 10 97 £	300	88	88¼		12.79
FORD CREDIT FUNDING 9 5/8 93 £	50	91	91½		13.76
INTER AMER DEV 11 3/8 95 £	75	94⅝	95⅛	-⅛	12.91
ITALY 10 1/2 14 £	400	86⅛	86⅝	+⅛	12.27
LAND SECS 9 1/2 07 £	200	74½	74⅞	+⅛	13.37
LEEDS PERMANENT 9 1/4 93 £	50	90¼	90¾	-⅛	13.58
NORWAY 10 1/2 94 £	200	93	93½		13.03
ROLLS-ROYCE 9 5/8 93 £	150	90⅜	90⅞	-⅛	13.82
SAINSBURY 10 7/8 93 £	100	93⅞	94½		13.91
WORLD BANK 11 1/4 95 £	100	94½	95	+⅛	12.82
ABBEY NATIONAL 0 96 NZ$	100	43½	44½		14.40
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	99½	100½		13.29
AIDC 7 7/8 93 FFr	600	93⅞	94¼		10.21
DENMARK 8 1/8 91 FFr	1000	97⅛	97¾		10.19
EURATOM 7 5/8 98 FFr	500	87⅛	87⅝	+⅛	10.05

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.96	100.03	15.0000
ALBERTA PROVINCE 1/32 93	500	99.91	100.02	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.89	99.94	15.0800
BANCO DI NAPOLI INT 91	150	99.99	100.09	8.8750
BANCO ROMA 0.03 01	200	95.54	95.92	8.4675
BELGIUM 1/16 97 DM	500	100.04	100.13	8.9375
BFCE -0.02 96	350	99.81	99.91	8.4175
BNP 05	300	98.65	98.75	8.3750
BRITANNIA 1/10 96 £	150	99.91	99.96	15.1000
CITICORP 1/4 98	500	95.15	95.65	8.5625
CITIZENS FED 0.15 96	100	99.40	99.78	8.7125
COMMERZBK O/S FIN 93	200	99.63	99.73	8.3125
DENMARK -1/8 96	1000	99.08	99.18	8.1875
FERRO DEL STAT 94	200	100.26	100.36	8.4375
HALIFAX 1/10 94 £	200	100.04	100.09	15.3500
MITSUI FIN ASIA 1/8 96	100	99.89	100.00	8.5625
MORGAN (JP) 1/4 97	250	99.73	99.98	8.5625
NAT WEST FIN 3/16 05	400	97.03	97.44	8.8125
NEW ZEALAND 93	500	99.44	99.55	8.2500
NORTHEAST SAVINGS 1/10 96	150	99.50	100.00	8.5375
PORTUGAL 0.05 93	700	99.92	100.02	8.4875
QUEBEC PROV 01	300	97.67	97.79	8.5000
RENFE 98	500	99.80	99.90	8.5000
SOCIETE GENERALE 96	300	99.19	99.29	8.6250
UNITED KINGDOM -1/8 96	4000	99.76	99.79	8.1250
WELLS FARGO 1/16 94	150	98.00	98.50	8.3750

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	101¾	102¾	+21.57
ASDA-MFI 4 3/4 02 £	100	1.64	106	107	+46.08
BURTON GROUP 4 3/4 01 £	110	3.15	105	106¼	
EASTMAN KODAK 6 3/8 01	300	50.67	92	93	+21.08
GOODYEAR TIRE 6 7/8 03	150	80¼	70½	71¾	
GRACE (WR) 6 1/4 02	150	42⅛	85⅛	86	+22.07
GRAND MET 6 1/4 02 £	100	6.58	101	102	+3.20
HAWLEY 6 02 PREF	400	1.91	111½	112⅝	+11.19
HILLSDOWN 4 1/2 02 £	150	4.16	98¼	99¼	+41.66
INTL PAPER 5 3/4 02	200	68½	90⅞	91⅞	+12.67
LAND SECS 6 3/4 02 £	84	6.72	84⅞	85⅝	+7.59
METAL BOX 5 3/4 02 £	65	1.93	110⅞	112⅛	-4.04
MITSUBISHI BK 1 3/4 02	300	2727.1	79	81	-2.85
OGDEN 6 02	85	39.077	82¼	83⅛	+28.70
PACIFIC DUNLOP 6 3/4 97	75	3.749	112½	113½	-0.38
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	76	77	+89.43
THORN EMI 5 3/4 04 £	103	7.45	103⅝	104⅝	+7.52

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Bond Corp buy-back fears sweep markets

By **Kevin Brown** in Sydney

BOND Corporation teetered on its tight-rope yesterday as fears swept Australian markets that US debenture holders were about to reject the company's discounted buy-back.

Acceptance of Bond Corp's final offer of 62 cents in the dollar is crucial to the company's planned sale of Bond Brewing Holdings (BBH) to Bell Resources for A$1.85bn. The debenture holders are believed to be seeking 80 cents in the dollar.

If the final offer is rejected, National Australia Bank will decide on Tuesday whether to extend lines of credit made available to Bond Corp to finance the buy-back. The bank is thought unlikely to do so.

The Australian Stock Exchange (ASX) also said it would issue a statement today about a Bond Corp shareholders' meeting called for Tuesday to approve the BBH sale.

The ASX has warned Bond Corp that the meeting does not comply with its regulations, and is believed to be considering delisting the company, which has been suspended for seven months.

The exchange argues that Dallhold, Mr Bond's private master company, should not vote its 52 per cent holding in Bond Corp, and says the meeting is being held under the wrong section of its listing rules. It also says shareholders have been given insufficient information in documents prepared for the meeting.

Analysts said a decision by the shareholders' meeting to go ahead with the sale could be open to legal challenge by shareholders or bondholders if the meeting does not comply with ASX rules.

In a separate development, the Australian High Court ruled that the Australian Broadcasting Tribunal was correct in finding 13 months ago that Mr Bond was not a fit and proper person to hold a broadcasting licence.

The tribunal's ruling was lifted after a successful appeal by Mr Bond to the Full Federal Court. The High Court, ruling on a further appeal by the tribunal, said there was insufficient evidence to demonstrate an error of law.

The tribunal said it would resume its inquiry into Mr Bond as soon as possible. However, Bond Corp's Bond Media subsidiary, which operated the profitable Channel Nine television network, was sold recently to Mr Kerry Packer's Consolidated Press Holdings.

● Dallhold said its offer to buy back SFr45m of secured finance notes had been accepted by 99.9 per cent of the mainly Switzerland-based noteholders, Reuter adds from Perth.

Mr Michael Cross, Dallhold managing director, said the repurchase offer, which closed on Wednesday in Geneva, represented 65 per cent of the face value of the notes plus accrued interest.

The notes, guaranteed by Dallhold, were secured by and convertible into ordinary shares of Bond Corp.

Singapore Fund worth $60m is launched in US

SINGAPORE'S Development Bank and the Daiwa group of Japan have launched a $60m country fund in the US to be known as the Singapore Fund, Reuter reports from Singapore.

Daiwa Singapore and DBS Asset Management (DBSAM) said the closed-end investment fund is designed to achieve long-term capital appreciation primarily through investment in securities in Singapore and other south-east Asian countries.

The fund, listed on the New York Stock Exchange, is offering 5m shares in two tranches: 2m shares are being underwritten internationally and lead managed by Daiwa Europe. The issue price is $12 a share.

The other 3m will be underwritten in the US with Daiwa Securities America and Donaldson, Lufkin and Jenrette Securities as lead managers.

Japan imposes curbs on CP

JAPAN'S Finance Ministry will require all companies that want to issue commercial paper here to get credit ratings from at least two approved rating agencies from October 1, Reuter reports from Tokyo.

Also from October, the ministry will ease standards by allowing companies with ratings of A-1, the highest level, or A-2 and Y35bn in net assets to issue CP. Issuers are now limited to those rated of A-1, or A-2 with Y55bn in assets.

The ministry will revise CP issue rules again early in 1991.

Citicorp finds $1.4bn finance for Mexican clients

By Richard Johns in Mexico City

CITICORP has arranged $1.4bn in financing for Mexican clients over the past year, Mr John Reed, chairman of the biggest US bank, said in Mexico City.

No less than 95 per cent of customers assisted, though, had "some sort of assets offshore to make that kind of financing successful," he told the American Chamber of Commerce. The amount of paper placed on the market on behalf of Mexican interests without overseas assets had been "very small."

While taking a very optimistic view of Mexico's economic prospects, he explained that "the market place has obviously been burdened by the debt crisis of the 1980s plus the fact that what is happening in East Europe has taken away attention from the Americas and the South of many historically-interested investors."

For the time being Mexico could not finance itself in the international markets in what would become an increasingly "capital-short" world.

Mr Reed believed that, as Mexico's economic performance improved it would regain access to them but it would take a long time "for bank pension [fund] money to come back. For cold financing transactions there is still a lot of worry in the market."

A little more than a year after the outline agreement on the reduction and rescheduling of Mexico's public sector debt for which he was largely responsible as chairman of the Bank Advisory Committee negotiating on behalf of creditors Mr Reed said – if legislation were to permit it – that "Citibank would be very interested in coming as a full Mexican bank with retail banks and credit cards and all the things we do around the world."

In this respect he thought that Citicorp was "unique." Generally, he thought that there would be little interest among other institutions in participating in the Mexican banking system "if tomorrow Mexico was to open its financial community totally which I would be heartily in favour of."

West European banks were preoccupied by the opening up of the East Europe while the "Japanese would be cautious beyond belief and would not have a major interest in the market."

Mexico was "the most restricted market in which we operate," according to Mr Reed. Citicorp is the only foreign bank operating a branch, as opposed to a representative office, here at all because it alone accepted the drastic restrictions imposed on overseas banks in 1932.

Chilean pensions face foreign investment dilemma

Leslie Crawford on the rise of private funds and their impact on the Santiago capital market

CHILE'S experiment in privatising its pension system is being closely monitored by a number of other Latin American countries.

Since the beginning of the year, Santiago has played host to a score of official and private delegations from Mexico, Venezuela, Colombia and Ecuador, all seeking to learn how the Chilean system works and whether they could apply similar schemes of their own.

Chile privatised its complicated tangle of state pension funds 10 years ago after decades of poor management had brought the system near to collapse. Workers were given three years to chose between staying in the state system or starting their own private retirement schemes. Since 1983, all newcomers to the labour force have had to save a minimum of 10 per cent of their earnings with one of 13 Administradoras de Fondos de Pensiones (AFPs), the private companies set up to manage pension funds.

According to Mr Julio Bustamante, the Superintendent of AFPs, the new system has two distinct advantages: it has dramatically increased Chile's national savings and it has provided a powerful thrust to the development of the domestic capital markets.

"The AFPs now administer $5bn worth of funds, the equivalent of around a quarter of our GDP. This has transformed them into the main institutional investors in Chile," Mr Bustamante says. He estimates that by the turn of the century, the AFPs will be managing funds equal to 48 per cent of GDP.

Mr Bustamante believes the Chilean experiment is attracting attention abroad because of its success in channelling domestic savings into investment at a time when foreign capital flows into Latin America have all but dried up. In addition, many state pension schemes in Latin America are virtually bankrupt.

"The state pension funds have been a constant temptation for finance ministers trying to plug budget deficits," he says.

"The funds have been used to finance current spending, with the result that pensions are woefully inadequate."

Of all the countries that are studying the Chilean model, Mexico is probably the most forward in its privatisation plans. The World Bank is currently advising the Finance Ministry on how to restructure the Mexican Institute of Social Security (IMSS), which runs the health service as well as managing the retirement contributions of 25m workers.

Mexican draft legislation is expected to be ready by the end of the year, which is why Santiago is being flooded with visitors from Mexican insurance companies, banks and brokers, all eager to pick up as much advance information as possible.

"We know the Finance Minister wants to privatise the pension system, but we expect stiff opposition from the unions and the old guard of the PRI [Mexico's ruling party]," said the manager of one Mexican financial group.

He believed Mexico was likely to adopt a hybrid system, where workers would continue to contribute to the IMSS while being encouraged to start up their own personal retirement schemes.

In Chile, the military government had no opposition to deal with when it privatised the pension system. But the new civilian government's enthusiastic acceptance of AFPs has encouraged other democracies in the region to bite the bullet.

"We are looking at ways of strengthening the system," says Mr Bustamante. The main challenge facing the Government is how to incorporate 1m workers, about one-quarter of the labour force, who are either self-employed or migrant workers with no pension cover.

Another dilemma facing the Government is whether to allow AFPs to invest abroad. Chile's private pensions are growing at a rate of around $600m a year. The AFPs are threatening to dwarf the domestic capital markets. They urgently require wider investment horizons.

Mr Bustamante says that the Government's priority is to retain where possible savings in Chile. But he recognises that allowing AFPs to invest abroad would lead to a better return on investment. It would also confer greater stability to the system by spreading the risk over more than one country.

The Superintendency is currently studying foreign investment rules for AFPs, including the possibility of reciprocity agreements with pension funds abroad.

Mr Bustamante says the real success of the privatisation will be tested 20 years from now, when the AFPs will be financing the country's entire pension system.

At present, the burden is still in state hands: the Government pays $1.3bn a year to 1m pensioners. By contrast, the AFPs are only paying out 67,000 pensions.

But the results so far are encouraging. AFP pensions are up to twice as high as those paid by the state and disability pay can be three times as high.

Renewed interest in C$ sector prompts three more deals

By Tracy Corrigan

A GRADUAL reawakening of demand in the Canadian dollar sector prompted three more issues. Late in the day, the **Province of Quebec** launched a 10-year offering, due to be priced today at an indicated spread of 73 to 75 basis points above the 10-year Canadian government bond. The other two deals, like KFW's offering on Tuesday, mature in five years, allowing retail and institutional demand to overlap.

Interest in the sector is improving, as investors' concern fades over the potential economic effects of the collapse of the Meech Lake agreement on constitutional reforms.

The deal for Quebec is the first since the Accord collapsed, and is priced accordingly, dealers said. Meanwhile, Canadian bonds are trading at a historically wide margin above the US bond market (about 220 basis points for 10-year bonds).

Oesterreichische Kontrollbank's C$150m offering of 11¾ per cent bonds, its second visit to the Eurobond market this week, was considered attractively priced at a yield of 62½ basis points above the five-year Canadian government bond.

On Tuesday, Austria-guaranteed OKB launched a well-received $200m issue. In both cases, the coupon is swapped into D-Marks and the principal into Swiss francs, an unusual swap structure which allows the borrower to achieve lower funding costs.

OKB's Canadian dollar offering was swapped via floating-rate dollars, which further improved the borrower's funding level. The borrower achieved a level better than 100 basis points below D-Mark Libor.

The structure fits the borrower's portfolio, according to an official there, so OKB was able to take advantage of low D-Mark coupon payments and take the risk of redemption in Swiss francs.

So far this year, OKB has raised just over $1bn in the international capital markets, and has just under $1bn left to raise for this year's funding programme.

The OKB deal was bid inside its 1⅞ point fees at less 1¾ points, stealing the limelight from the other five-year offering, a C$125m deal for **Toyota Motor Credit Corp.**

The 11⅞ per cent bonds yield 63 basis points above five-year Canadian government bonds, which dealers said was on the tight side, as TMCC's C$150m of 10⅞ bonds due 1994 are currently bid at 78 basis points above the curve. The issue, which was swapped into floating rate dollars, ended at 99.60 bid, just under the fixed reoffered price.

Toyo Sash brought two equity-linked Eurobonds, each of $150m, priced at par and maturing in four and seven years respectively. The four year bonds, with a coupon of 4¾ per cent, were bid at 105¼, while the seven-year bonds, with a coupon of 5½ per cent, were bid just above issue price at 100⅛, as investors once again proved unwilling to pay up for the extra maturity on the warrant.

Daimler-Benz was the latest borrower to make use of a fixed/floating-rate structure in the D-Mark sector. The DM200m 10-year offering pays 9½ per cent for the first three years, then 15⅛ per cent less Libor.

The name and the structure of the issue commanded firm German retail buying, and the issue closed well inside fees at 100¼ bid, from an issue price of 100.80.

Nationwide Anglia Building Society launched its debut issue in the D-Mark sector, a DM300m five-year issue paying $\frac{1}{16}$ point above six-month Libor, which was considered rather aggressive. The issue, swapped into floating rate sterling, was quoted just outside 20 basis point fees at 99.93 bid.

In Switzerland, the coupons on equity-linked deals for Canon Sales and Chugoku were fixed, a day late. Both were cut from an indicated 3½ per cent to 3 per cent, but continued to trade strongly.

IBM International brought a FF1bn offering of 10 per cent seven-year bonds via Banque Nationale de Paris, which was bid inside 1⅞ points fees at less 1¾ points.

Credito Italiano launched a $150m issue of variable-rate notes via Merrill Lynch International.

INTERNATIONAL BONDS

Province of Alberta long term debt downgraded

By Tracy Corrigan

THE Province of Alberta's long-term debt rating has been downgraded to double-A from double-A plus by Standard and Poor's. About $5.2bn of debt is affected. Alberta's commercial paper rating is affirmed at A1 plus.

The rating agency attributes the downgrade to Alberta's continuing vulnerability to shifts in the energy sector, its large negative budget variances, and its growing accumulation of debt, albeit still at low levels.

Secondary prices in Alberta's benchmark Eurobonds were unaffected by the downgrade, although dealers suggested Alberta's cost of funds for new issues might rise a touch.

● Security Pacific's senior debt rating was lowered to double-A minus from Double-A by Standard and Poor's, affecting $9.8bn of debt.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
Oest. Kontrollbank(a)◆	150	11¾	101⅛	1995	1⅞/1¼	Deutsche Bank Cap.Mkts
Toyota Motor Credit Corp(e)◆	125	11⅞	99⅝	1995	1⅞/1⅝	Wood Gundy
US DOLLARS						
Toyo Sash and Co.§	150	4¾	100	1994	2¼/1½	Nomura Int.
Toyo Sash and Co.§	150	5½	100	1997	2¼/1½	Nomura Int.
Credito Italiano(h)◆◆	150	$\frac{3}{16}$	100	2000	n/a	Merrill Lynch Int.
Yuken Kogyo Co.§	60	5⅛	100	1994	2¼/1½	Daiwa Europe
FRENCH FRANCS						
IBM Int. Finance(a)◆	1bn	10	101⅞	1997	1⅞/1¼	BNP
D-MARKS						
Daimler-Benz Int.Fin.(f)◆	200	(f)	100.80	2000	170/110bp	Deutsche Bank
Nationwide Anglia B.S.(g)‡◆	300	$\frac{1}{16}$	100.20	1995	20/10bp	WestLB
SWISS FRANCS						
Canon Sales Co.(b)★★§◆	300	3	100	1994	1½	Bca.d'Svizzera Italiana
Kubota Ltd(a)★★◆	150	7½	99⅝	1995	n/a	SBC
LB Rheinland-Pfalz(a)★★◆	100	7	101¼	1995	1⅜	UBS
Chugoku Marine Paints(c)★★§◆	80	3	100	1995	1¼	Citicorp Investment Bank
Uniden 21 Corp.(d)★★§	55	5	100	1995	1⅝	UBS

★★Private placement. §Convertible. ‡Floating rate note. ◆Variable rate notes. ◆Final terms. a) Non-callable. b) Coupon indicated at 3½%. Put option to yield 5.952% (indicated at 6.007%). c) Coupon indicated at 3½%. d) Callable from 31/3/93 at 104 declining 1% semi-annually. e) Fixed re-offer price. f) Coupon pays 9½% first 3 years then 15⅛% minus 6-month Libor thereafter. Non-callable. g) Coupon pays 6-month Libor rate plus $\frac{1}{16}$. Non-callable. h) Coupon pays $\frac{3}{16}$ over 3-month Libor. Fall back rate: years 1-5 ½% over Libor, years 6-10 ⅝% over Libor. Sinking fund giving average life of 8 years. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Thursday July 26 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Jul 25: Index No.	Tue Jul 24: Index No.	Mon Jul 23: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (194)	875.30	-0.2	13.22	5.30	9.25	23.04	877.04	879.93	878.24	988.39
2	Building Materials (26)	1125.85	+0.4	13.57	5.36	9.10	30.01	1121.26	1122.08	1113.38	1218.70
3	Contracting, Construction (36)	1443.56	+0.4	16.47	5.70	7.90	35.78	1438.27	1432.02	1420.52	1627.14
4	Electricals (10)	2442.05	+0.1	11.75	5.45	10.47	61.43	2438.55	2432.28	2435.71	2933.92
5	Electronics (26)	1784.64	-0.7	10.61	4.50	12.34	51.42	1796.95	1812.29	1826.00	2264.58
6	Engineering-Aerospace (8)	462.59	+0.2	14.04	5.09	8.49	10.79	461.88	462.13	468.79	0.00
7	Engineering-General (46)	492.83	......	12.08	5.19	10.04	11.34	492.82	490.87	490.34	0.00
8	Metals and Metal Forming (6)	483.97	-1.5	23.86	6.94	5.10	16.68	491.18	494.06	490.80	529.05
9	Motors (13)	352.02	-0.3	16.03	6.64	7.25	9.81	353.25	351.28	349.85	345.01
10	Other Industrial Materials (23)	1567.14	-0.4	11.11	5.09	10.39	39.22	1574.12	1590.96	1581.41	1695.55
21	CONSUMER GROUP (179)	1307.48	-0.4	9.28	3.87	13.31	24.06	1313.19	1309.60	1312.01	1312.95
22	Brewers and Distillers (22)	1624.46	-0.3	9.38	3.59	12.81	30.46	1629.34	1635.11	1638.67	1435.87
25	Food Manufacturing (20)	1096.89	-0.5	10.36	4.32	11.95	23.19	1102.42	1098.00	1098.83	1198.49
26	Food Retailing (16)	2610.14	-0.2	8.68	3.15	14.74	40.59	2614.11	2591.06	2578.98	2519.83
27	Health and Household (15)	2558.27	-0.5	6.76	2.71	17.57	25.21	2570.13	2562.57	2574.66	2346.44
29	Leisure (33)	1446.40	-0.4	10.02	4.28	12.16	34.00	1451.79	1443.63	1442.95	1731.65
31	Packaging & Paper (12)	608.29	-0.4	10.90	5.67	11.28	12.94	610.82	608.83	609.11	603.19
32	Publishing & Printing (16)	3398.31	-0.4	10.59	5.43	11.80	105.00	3410.54	3447.54	3537.09	3755.37
34	Stores (34)	818.86	-0.8	10.80	4.60	11.98	16.49	825.41	819.45	816.35	873.26
35	Textiles (11)	493.06	-0.6	12.49	7.29	10.10	18.26	495.78	491.69	489.21	562.63
40	OTHER GROUPS (107)	1157.19	-1.1	11.17	5.13	10.81	25.61	1170.28	1168.35	1174.52	1188.51
41	Agencies (17)	1495.01	-1.3	6.98	2.64	17.36	15.86	1514.35	1496.42	1664.24	1454.87
42	Chemicals (23)	1224.50	-3.6	10.85	5.42	10.89	31.96	1269.97	1278.77	1283.94	1315.42
43	Conglomerates (15)	1631.84	-0.8	10.45	6.12	11.50	31.95	1645.59	1635.04	1628.05	1695.98
44	Transport (13)	2358.64	......	10.43	4.39	12.18	49.33	2359.17	2346.91	2329.49	2495.21
46	Telephone Networks(2)	1180.17	-1.1	11.36	4.77	11.45	26.09	1193.81	1195.44	1187.63	1075.20
47	Water(10)	1996.53	+1.0	16.07	6.78	6.96	68.12	1977.19	1955.05	1915.60	0.00
48	Miscellaneous (27)	1768.50	-0.4	12.47	5.08	9.13	41.95	1774.73	1778.01	1790.05	2058.78
49	INDUSTRIAL GROUP (480)	1164.40	-0.6	10.81	4.60	11.31	24.98	1171.32	1170.20	1172.55	1213.16
51	Oil & Gas (20)	2390.98	-1.3	12.28	5.16	10.67	60.49	2421.96	2407.54	2370.11	2159.56
59	500 SHARE INDEX (500)	1266.56	-0.7	11.02	4.68	11.22	27.88	1275.36	1273.22	1272.58	1293.67
61	FINANCIAL GROUP (108)	801.29	-0.8	-	5.72	-	21.40	807.76	806.56	802.13	774.19
62	Banks (9)	858.09	-1.0	19.08	6.29	6.86	25.62	867.11	856.35	855.26	749.67
65	Insurance (Life) (7)	1495.69	-0.4	-	4.93	-	36.94	1501.47	1512.75	1489.85	1175.42
66	Insurance (Composite) (6)	665.87	-1.6	-	6.21	-	19.43	676.59	682.45	679.49	619.07
67	Insurance (Brokers) (8)	956.66	+0.3	9.00	6.73	14.65	32.95	954.06	957.45	943.38	976.62
68	Merchant Banks (7)	437.76	+0.1	-	4.63	-	10.76	437.49	437.68	440.17	368.97
69	Property (47)	1096.99	-0.4	7.99	4.30	16.06	19.93	1100.86	1105.82	1093.74	1373.78
70	Other Financial (24)	288.85	-0.3	10.56	6.77	12.27	8.95	289.64	289.68	289.46	376.63
71	Investment Trusts (66)	1214.73	-0.3	-	3.18	-	18.16	1218.54	1216.93	1212.22	1212.75
91	Overseas Traders (5)	1447.48	-0.4	9.72	6.31	12.29	59.65	1453.48	1442.38	1448.28	689.415
99	ALL-SHARE INDEX (679)	1154.80	-0.7	-	4.80	-	26.13	1162.86	1160.91	1159.41	1418.80

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 25	Jul 24	Jul 23	Jul 20	Jul 19	Year ago
FT-SE 100 SHARE INDEX‡	2344.1	-20.6	2369.7	2337.9	2364.7	2360.9	2359.7	2400.1	2387.3	1166.71

FIXED INTEREST

	PRICE INDICES	Thu Jul 26	Day's change %	Wed Jul 25	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.41	+0.05	115.48	0.13	7.62
2	5-15 years	121.35	+0.28	121.37	0.36	8.04
3	Over 15 years	125.74	+0.39	125.25	-	6.15
4	Irredeemables	142.21	-0.11	142.37	-	7.35
5	All stocks	121.54	+0.21	121.54	0.24	7.81
	Index-Linked					
6	Up to 5 years	147.87	+0.38	147.31	-	1.49
7	Over 5 years	136.40	+0.63	135.55	-	2.51
8	All stocks	137.15	+0.61	136.32	-	2.43
9	Debentures & Loans	101.39	-0.07	101.46	-	6.22
10	Preference	75.37	-0.33	75.61	-	3.58

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jul 26	Wed Jul 25	Year ago (approx.)
	British Government				
1	Low	5 years	10.81	10.83	9.71
2	Coupons	15 years	10.81	10.83	9.11
3		25 years	10.81	10.83	9.04
4	Medium	5 years	12.08	12.11	10.34
5	Coupons	15 years	11.28	11.33	9.54
6		25 years	10.93	10.98	9.20
7	High	5 years	12.18	12.19	10.46
8	Coupons	15 years	11.52	11.57	9.77
9		25 years	11.17	11.21	9.40
10	Irredeemables†		10.85	10.84	9.13
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.24	5.39	3.01
12	Inflation rate 5%	Over 5 yrs.	4.32	4.36	3.51
13	Inflation rate 10%	Up to 5 yrs.	4.09	4.24	2.21
14	Inflation rate 10%	Over 5 yrs.	4.13	4.17	3.34
15	Debs &	5 years	13.85	13.85	12.41
16	Loans	15 years	12.80	12.79	11.85
17		25 years	12.51	12.50	11.33
18	Preference†		12.60	12.57	10.26

‡Opening index 2363.6; 9 am 2364.5; 10 am 2367.7; 11 am 2359.8; Noon 2353.7; 1 pm 2352.2; 2 pm 2344.8; 3 pm 2339.9; 4 pm 2343.3; 4.10 pm 2341.8; (a) 9.25am (b) 2.53pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	58	3	37
Corporations, Dominion and Foreign Bonds	5	0	17
Industrials	269	367	937
Financial and Properties	99	194	449
Oils	11	33	44
Plantations	2	0	8
Mines	36	42	84
Others	75	60	108
Totals	555	699	1,684

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
Ir40	Nil	-	16pm	11pm	Aran Energy Ir20p	14½pm	-1
140	Nil	-	35pm	30pm	BTP	35pm	
17	Nil	-	1½pm	¼pm	Conrad Contl. 10p	¼pm	
£50	Nil	-	300pm	44pm	Expl. Co of Louisiana	44pm	
25	Nil	-	6¼pm	4½pm	Ferranti Intl. 10p	5pm	
182	Nil	-	51pm	37pm	First Leisure	46pm	-1
475	Nil	-	120pm	115pm	Harland Simon	115pm	
4	Nil	-	¼pm	¼pm	‡Manigrint 1p	¾pm	
Ir20	Nil	-	12pm	6pm	McInerney Props. 10p	10pm	-1
37	Nil	-	8¼pm	6½pm	Monument Oil & Gas 5p	6¼pm	-1
220	55	23/7	86	60	Ratners	69	+3
10	Nil	-	3pm	1pm	‡Reliant Group	1½pm	
100	Nil	-	48pm	41pm	Sketchley	42pm	-1
800	Nil	-	420pm	358pm	Sun Life	373pm	-2

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. ‡‡ Reintroduction. ‡ Unlisted securities market. * Third Market. ‡ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

● First Dealings July 16
● Last Dealings July 27
● Last Declarations Oct. 18
● For settlement Oct. 29

For rate indications see end of London Share Service

Calls in Amber Day, Aviva Pet., Cityvision, Corton Beach, Ivernia West, London & Metropolitan Prop., Westland warrants and Richmond Oil & Gas. Put in Blenheim Exhibitions.

LONDON TRADED OPTIONS

A WEAK set of interim results from ICI depressed the stock index futures market and spurred brisk activity in its equity options.

ICI's shares fell by 6 per cent after it announced that profits had fallen by more than had been forecast by analysts. The figures depressed the whole of the stockmarket, which had been marking time before they were announced, while ICI shares closed at 1040p, down 65 on the day.

The September FT-SE 100 index futures contract had beenvirtually unchanged before the ICI results and was 60 points above the cash index.

But the futures market quickly began to lose ground after ICI presented its results. When September attempted to break below 2,400 it started to pull an already weak cash market lower. A weaker start on Wall Street depressed prices further.

And unlike recent sessions there was no futures short-covering before the close. September FT-SE ended at 2,385.0, down 38.0 on the day. Its premium to the cash index finished at 44 points, compared with 59 the previous day. But of that 44 points, approximately 40 points are fair value, which is an estimate of future dividend payments and the cost of finance.

In the traded options market, overall turnover levels remained low, despite increased business on the stock exchange and in the futures market.

Total market turnover stood at 27,017 contracts, compared with 27,652 in the previous session. Yesterday's total was divided between 14,899 calls and 12,118. In line with the market's decline, the turnover in puts increased by almost a third.

The FT-SE Index also attracted more attention, trading 7,144 contracts, of which 2,308 were calls and 4,836 were puts.

Storehouse was the busiest stock option after James Capel raised its profits forecast. A total of 2,050 Storehouse contracts traded, of which 1,200 were calls.

ICI traded 1,587 contracts, of which 729 were calls and 858 were puts.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*504)	500	37	49	65	16	23	28
	550	12	27	40	50	52	55
	600	4	13	-	97	97	-
ASDA (*121)	100	22	28	-	3	4	-
	110	15	20	23	5	7	8
	120	9	15	18	8	11	13
Brit. Airways (*208)	200	18	23	29	5½	9	10
	220	8	13	19	17	18	20
	240	2½	7	12	34	34	34
SmKl Beecham A (*534)	500	50	67	-	8	15	-
	550	20	38	52	30	35	39
[illegible]							

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Utd. Biscuits (*351)	330	33	44	57	8	12	13
	360	14	27	38	21	24	26
	390	6	14	25	42	44	45
Unilever (*700)	650	76¼	97¼	-	8¾	13	-
	700	36	59½	81½	23	25¼	28½
	750	14½	35	55	53¾	56¼	57¾
Ultramar (*338)	330	27	42	50	11	16	20
	360	12	25	35	30	33	35
	390	5	-	-	52	-	-

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero	500	53	70	88	3	14	18
[illegible]							

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Abbey Nat. (*222)	220	11	19	25	9	12	15
	240	4	10	15	22	24	26
Amstrad (*67)	60	11	13½	16½	1½	4	5
	70	4	7½	10½	6	8½	9½
Barclays (*401)	393	20	35	-	14	16	-
	420	-	-	33	-	-	42
Blue Circle (*238)	220	25	32	41	3	7	9
	240	11	20	28	13	19	20
British Gas (*220)	220	9½	18	23	6	8	10
	240	2½	8½	13	21	22	23
Dixons	140	15	20	25	5	7	9
[illegible]							

UK COMPANY NEWS

David Smith falls 20% to £26.4m

By Clay Harris, Consumer Industries Editor

DAVID S SMITH (Holdings), Britain's largest paper manufacturer, yesterday blamed heavy capital spending and pressure on margins in a sluggish market for a 20 per cent decline in pre-tax profits to £26.38m in the year to April 30.

The pre-tax fall from £33.03m in 1988-89 was worsened by an exceptional provision of £1.49m for bad debts arising from the collapse of Coloroll, the home furnishings group to which Smith supplied backing paper for wall coverings.

Despite the profits slide, Smith will increase the total dividend to 9.25p (8.75p) with a final payment of 6.5p.

Mr Richard Brewster, chief executive, said volume growth accounted for more than half of the 8 per cent advance in turnover to £363.7m (£337.5m). However, output was lost at the Kemsley mill in Kent, where Smith is installing new equipment as part of a £40m investment programme over three years.

Kemsley, which manufactures corrugated case materials, is at the centre of Smith's European strategy. The investment will more than double Kemsley's capacity from 180,000 to 380,000 tonnes and enable it to produce better quality paper.

The plant is ideally sited for exports, which already account for 20 per cent of the group's paper sales, Mr Brewster said.

In the short term, however, the cost of re-equipping a plant acquired for £10.65m in 1988 is proving a heavy drag on Smith's results. It accounted for two thirds of the group's interest payments of £6.97m (£3.75m), and analysts estimate that Kemsley will reduce profits overall by about £7m per year in 1989-90 and the current 12 months.

Smith said it was essenti al that shareholders could "identify the true cost of the investment and understand the group's prudent account ing policies." Full provisi ons had been taken against 1989-90 profits for several costs which could have been postponed or capitalised, the company said.

Earnings per share fell by 15 per cent to 28.6p (33.7p). The decline was smaller than at the pre-tax level after the tax charge slid to 24 per cent because capital allowances were unchanged despite lower profits. It is likely to return to the 1988-89 figure of 29 per cent in the current year.

Mr Brewster warned that any serious downturn in the UK economy would adversely affect Smith's short-term trading performance. But in the longer term, he said, Smith had "built a strategic investments on a European scale and we operate speciality businesses that produce above average returns."

● COMMENT

It is unfortunate that Mr Richard Brewster had to announce a 20 per cent fall in profits in the first results after his being named Guardian Young Businessman of the Year. But there is no reason to fear he is destined to follow fellow laureates George Davies, John Gunn and John Ashcroft to nemesis. When the Kemsley project is completed, Smith will have a facility with a replacement value of some £300m, gained for a fifth of the cost. However, the disruption along the way and the less generous accounting treatment than available for a greenfield site mean profits will still fall well short of the 1988-89 result in the current year. Assuming £29m, the shares stand on a prospective p/e of 11.3 after closing 2p lower yesterday at 328p. This may be modest compared with the exit multiple of 20 which Svenska Cellulosa paid for Reedpack in June, but the price already contains more than a sliver of speculation that the same fate awaits Smith. But if Smith is trading too high on short-term fundamentals, shareholders – one way or another – should reap the benefit of its foresight in the long run.

Owners Abroad losses rise to £10.4m

By David Churchill, Leisure Industries Correspondent

OWNERS ABROAD, the tour operator and airline seats broker, yesterday announced an increased loss of £10.4m pre-tax for the six months ended April 30.

In the opening half of the previous year the company ran up a loss of £7.8m.

The result was in line with analysts' expectations and was due to the seasonal nature of Owners' holiday businesses. The first six months bear about half the annual overheads but are responsible for only some 25 per cent of the expected number of passengers to be carried during the year.

The increased size of the first-half loss reflected the growth in activity by Owners over the past year. Turnover in the period was £81.63m, a 43 per cent increase on the £57.08m achieved in the first half last year.

The interim dividend is 0.825p per share, representing an increase of 18 per cent over last year.

Mr Howard Klein, Owners chairman, said the company had achieved its highest ever level of winter holiday bookings, with numbers up 39 per cent to 258,000. That was set against a 15 per cent overall decline in the winter holidays market, largely due to poor snow conditions on the continent.

Mr Klein said that the winter sun holiday sales were also achieved at higher profit margins than for several years. "This trend has continued into the current summer season," he added.

The Air 2000 charter airline subsidiary operated four aircraft during the six months under review, compared with two during the corresponding period last year. Of the nine aircraft in the fleet, the remaining five were leased to foreign airlines to offset leasing and operational costs. The initial costs for two new aircraft which came into service during the period were taken above the line as a £563,000 exceptional item.

Mr Klein said steps were being taken to reduce the overheads of the Redwing tour operating subsidiary which it acquired earlier this year in a deal which valued the tour company at just over £5m. "But the benefits of this will not show through until next year," he added.

During the current trading period, Owners has achieved a 20 per cent increase in tour bookings in spite of a 20 per cent fall in the overall market. "Moreover, we have sold a greater percentage of its planned programme at full brochure price than ever before," said Mr Klein.

The seat wholesaling division is also on course to sell 2.75m seats, including the Redwing holiday programme, he added.

Mr Klein's optimistic trading picture has encouraged analysts to forecast pre-tax profits of about £16m in the full year to October.

Hire side helps Goode Durrant rise 20%

By Jane Fuller

GOODE DURRANT, the vehicle, house-building and finance group, increased pre-tax profit by 20 per cent to £13.5m in the year to April 30.

The growth from £11.27m came on turnover up by almost 10 per cent to £257.84m. The driving force behind the profit increase was vehicle and equipment hire which contributed £5.18m pre-tax, £3.27m ahead of the previous year.

Mr Michael Waring, chairman, said the bulk of this had come from the short-term hire of Ford vans.

This had benefited from customers running down their fleets and adopting a more flexible approach to vehicle use. The business operated in the north of England and the Midlands, where conditions had remained more buoyant than in the south.

A £650,000 first contribution had come from the November acquisition of Ravenstock, which sells and rents out shipping containers. Since April 30, four small acquisitions have been made on the vehicle hire side.

Rawlings, the group's house-builder, had continued to perform satisfactorily in the north-west, where it typically sells £50,000 homes to first-time buyers. But interest charges and "horrible" conditions in the south-east reduced the pre-tax profit from £2.11m to £1.62m.

In motor distribution, where the Laidlaw subsidiary has five Ford dealerships, pre-tax profit increased to £1.96m (£1.76m) despite the national downturn in vehicle sales, and slacker demand for Ford cars than for certain Vauxhall and Rover models.

However, the emphasis on service and repairs meant that the dealerships could break even before selling a single new car.

In international trade and finance, there was a fall to £2.41m (£2.58m) in banking because of a smaller cash surplus. International trading also slipped a little to £1.23m because of low margins in coffee, while trade finance in South Africa contributed more than £1m although the stake in GDM Finance was reduced from 59 to 49 per cent.

A 20 per cent stake in Goode Durrant is held by Winnedael, a Dutch investment company headed by the Nash family. There was some friction between the management and this shareholder last year when a request for it to have two seats on the board was turned down.

At the annual meeting in September, Winnedael led dissident shareholders in a move to block a special resolution aimed at identifying those behind nominee share holdings.

Mr Waring said he had not heard from Winnedael since then.

Earnings per share increased to 16.8p (14.3p). A proposed final dividend of 3.25p makes a total of 5.4p (4.5p).

The share price gained 2p to close at 133p.

Guinness £40m for Schenley Canada

By Clay Harris, Consumer Industries Editor

GUINNESS IS reuniting the North American branches of the Schenley spirits business with a Canadian acquisition estimated to have cost the UK-based drinks group about £40m.

The purchase of Schenley Canada, the country's fourth largest wines and spirits distributor with turnover of C$63.5m (£30m) in 1989, brings Guinness several leading Canadian whiskey brands – including Gibson's Finest 12 Year Old and Gibson's Sterling, and Silent Sam, a premium domestic vodka.

Schenley Canada was the subject of a management buy-out in 1981 from Schenley Industries of the US. Guinness bought the US company for $480m (£290m) in 1987, just over a year after its takeover of Distillers Group. Schenley Industries distributed many Distillers brands but also produced spirits such as IW Harper and Rebel Yell bourbons.

Yesterday's deal is primarily aimed at improving Canadian sales of United Distillers, Guinness's spirits subsidiary. Guinness sees only limited opportunity for increasing sales of the new brands outside Canada.

Parkfield lay-offs at Southgate

By David Owen

About 80 mainly clerical and warehousing staff have been laid off at the Southgate operation of Parkfield Group, the mini-conglomerate which collapsed last week.

Parkfield was put into administration a week ago with liabilities of about £275m. Of this total, £138m is owed to banks, with a further £60m due to the group's suppliers.

Parkfield's health is thought to have been undermined by problems in its entertainment division, which distributed pre-recorded videos for various well-known Hollywood studios including RCA/Columbia, MGM/UA and Warner/Weintraub. Southgate was the centre of this distribution operation, according to Parkfield.

Even by the standards of recent UK corporate calamities, Parkfield's demise was extraordinarily rapid. As recently as January, shares of the Haslemere-based group had touched 518p, giving it a market value of £263m.

Though the collapse has yet to be satisfactorily explained, the group experienced a rapid increase in its debt load in May and June.

Alan Clements, finance director, in thoughtful mood at the announcement of the figures Tony Andrews

ICI suffers fall in demand and prices for many main products

By Peter Marsh

IMPERIAL Chemical Industries' dismal profit figures yesterday resulted from an alarming slump in demand and prices for many of its main products in the second quarter of 1990.

The pre-tax profit for the three-month period to June 30 came out at £319m, a 34 per cent drop on the equivalent for 1989 of £483m. The figure was well beneath analysts' expectations and underlined the downturn in the world chemical industry.

Total profit at the taxable level for the first six months of 1990 was £733m, down 21 per cent on the previous £925m.

First half sales were 3 per cent higher at £6.82bn, against £6.64bn. The tax charge for the period was £249m (£332m) givingearnings per share of 67.4p (82p), a fall of 18 per cent.

Reflecting the poor trading the company announced an unchanged interim dividend of 21p.

There was an extraordinary charge of £100m relating to losses on the disposal of its UK fertiliser business.

In the six-months all but four of ICI's divisions recorded falls in trading profit. Pharmaceuticals' trading profits increased to £248m £192m, paints reported £51m (£49m), agrochemicals £149m (£146m) and fibres £28m (£24m).

The divisions which had reduced profits were speciality effect products with £57m (£73m), general chemicals – £80m (£170m), petrochemicals and plastics – £88m (£234m), industrial explosives – £19m (£24m), fertilisers – £2m (£15m).

Jacques Vert profits at £4.66m for year

JACQUES Vert, USM-quoted maker, wholesaler and retailer of ladies' fashions, reported taxable profits of £4.66m for the year to the end of April, compared with £6.49m in the previous 15 months. Mr Jack Cynamon and Mr Alan Green, joint chairmen, said the result was creditable in the present economic conditions.

They added that it was intended to apply for a listing in the autumn. The company is also looking to making use of Poland's cheap labour base to sub-contract garment making, as it does in Hong Kong. It has manufacturing plants in Washington, Tyne and Wear, Upton, West Yorkshire, and Devon.

During the period the company decided to close its US wholesale operation. The £700,000 costs were taken as an extraordinary charge.

Turnover was £41.69m (£45.21m for 15 months), which the chairmen said represented a substantial year-on-year increase. The interest charge was £519,000 (£136,000) resulting from higher interest rates, higher borrowings, caused by increased overheads and substantial capital investment.

Tax took £1.78m (£2.41m) leaving earnings per share of 30.28p (£43.61p). A final dividend of 6p is recommended for a total for the year of 10p, against 11.5p.

The shares lost 3p to close at 247p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Textile ....int	4.3	Oct 1	4.1	-	7.4
Banks(Sidney) ....fin	5.5†	-	4.875	8	7
DBS Management☆ .fin	4	Oct 2	2	4	2
Douglas (RM) ....fin	7.5	-	4.5	10.5	6.5
Dyson (J&J) ....fin	3	Oct 1	3	5	5
Goode Durrant ....fin	3.25†	Sept 28	2.75	5.4	4.5
Hill & Smith ....int	1.95	-	1.75	-	5.2
ICI ....int	21†	Oct 1	21	-	56
Jacobs (John I) ....int	1.5	Oct 1	1.5	-	4.3
Jacques Vert § ....fin	6	-	2	10	11.5♥
Kitty Little § ....fin	nil	-	1	0.575	1.5
Mountleigh ....fin	3.5	Oct 5	3.5	4.75	4.75
Owners Aboard ....int	0.825†	Oct 1	0.7	-	2.5
Ryan Hotels ....int	0.5♣	Sept 14	0.5	-	2.43
Southend Prop ....fin	2.25	Sept 28	2	3.45	3
Smith (David S) ....fin	6.5	Oct 1	6	9.25	8.75
Trevian Hldgs § ....fin	1.85	-	1.75	3.3	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency throughout. ☆Traded on Matched Bargain basis. ♥For 15 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- European Assets Trust, Greenfriar Inv, Greggs, Jourdan (Thomas), Lex Service, Lloyds Bank, Prospect Inds, Shell Oil, Sutton District Water.

Finals- ATP Communications, Applied Holographics, Forminster, Gibbs Mew, Optical & Medical, Waverley Cameron.

FUTURE DATES

Interims-	
BBA	Aug. 6
Bredero Properties	Aug. 28
Chieftain	Aug. 8
F & C Enterprise Trust	Aug. 2
Foreign & Colonial Inv.	Aug. 8
General Accident	Aug. 8
National Westminster Bank	July 31
Thames Television	Sep. 5
Finals-	
Lister	July 31
Prior	July 31
Richmond Oil & Gas	Aug. 6
West Trust	Aug. 10

RM Douglas up 39% at £12.39m

By Andrew Taylor, Construction Correspondent

TAXABLE profits of Robert M. Douglas, the contractor, construction equipment, building materials and property development group, rose by 39 per cent from £8.9m to £12.39m during the 12 months to the end of March.

The increase occured during what has been a difficult year for many construction companies, particularly those extensively involved in housebuilding in southern Britain.

Turnover rose by a quarter from £261.7m to £326.7m. Earnings per share jumped from 38.9p to 47.5p.

All of the company's businesses performed well last year, said Mr John Douglas, group chairman. The largest contributor to profits growth was the construction equipment division where demand for formwork (which prevent excavations from caving in) at sites doubled last year.

Contracting, which accounts for about three-quarters of group turnover but generates much lower margins than the equipment division, also increased profits last year.

Mr Douglas said the contracting order book at the end of June was about £250m, providing work for at least another 12 months. Building materials, concrete and aggregates, also produced record results, although this market was expected to slow this year as construction activity in the UK declined.

At specialist contracting, the construction of multi-storey car parks, the order book stood at £10m, double that of the same stage last year, he said.

Housebuilding, the group's newest venture had made its first small contribution to profits last year. Reservations on the company's first three housing sites had gone better than expected and would produce better profits this year.

The final dividend was up from 4.5p to 7.5p making 10.5p for the year (6.5p).

●COMMENT

The lack of exposure to a highly depressed housing market has meant that Douglas has been able increase earnings per share by more than a fifth while rival construction companies more heavily involved in housing have been suffering sharp falls. A solid balance sheet, gearing is only 16.5 per cent, has also stood the company in good stead. A strong presence in the Midlands has cushioned the group from the worst impact of the downturn in construction orders which have been heaviest in London and the south-east. Better margins on construction as sub-contractors and material suppliers are forced to reduce prices together with first real housing profits should enable the group to make pre-tax profits of £14m this year which would be a good performance in what looks like being a very difficult 12 months for the industry.

SEP Industrial shows 15% advance at £1.16m

SEP INDUSTRIAL Holdings, the USM-quoted maker of industrial fasteners and precision components, increased its pre-tax profit by 15 per cent, from £1.01m to £1.16m, in the half-year ended March 31 1990.

But that masked the strength of the core activities, said Mr Paul Formby, chairman and chief executive. Stripping out the contribution from the building products division, sold last year, the underlying profit growth was nearly 60 per cent.

Sales advanced by 58 per cent to £31.77m (£20.14m). The underlying rise was 85 per cent.

Mr Formby said a particularly strong performance was recorded by the Combori Group and *SEP Fasteners*. Sales volumes were increased substantially in Belgium and also showed growth in France and the Netherlands. The benefit of cost reductions following the merger of SEP Fasteners with PSS was reflected in a rapid improvement in results.

In contrast, the North American activities incurred a small loss in difficult trading conditions.

Earnings worked through at 1.64p (1.6p) and the interim dividend is raised to 0.44p (0.4p).

IN BRIEF

BABCOCK: Lord King, chairman, told the annual meeting that the first quarter had started well and that the outlook continued to be satisfactory, with good order books *and a healthy balance sheet.*

BANK LEUMI (UK) Net profit, after tax and transfer to inner reserves, attributable to shareholders was £1.65m (£1.35m) for the six months to June 30. The interim dividend is maintained at 4.5p and there is a scrip option again.

BERKELEY GOVETT reported interim pre-profits up 18 per cent to $22.7m (£12.56m) for the six months to June 30. Earnings per share were up by 15 per cent from 20.7 cents to 23.8 cents and the interim dividend is up 1 cent to 7 cents.

GRAND CENTRAL Investment Holdings has entered into a conditional agreement with Prudential Asset Management Asia (PAMA), a subsidiary of Prudential Insurance Company *of America, under which* PAMA will invest S$11m (£3.4m) to acquire a shareholding of 19.8 per cent in GCIH Singapore.

LUCAS INDUSTRIES has acquired Californian-based Digital Electronics Corporation for $15m (£7.98m).

SIMON ENGINEERING has acquired Wastewater Treatment Systems of California for an initial cash consideration of $2.5m (£1.38m), with further sums payable dependent on pre-tax profits for the three years to December 1993.

Platignum back in the black with £260,000

PLATIGNUM, the pens, furniture and housewares group, moved back into the black for the year to end-March with a pre-tax profit of £260,000.

That compared with a loss of £2.94m for the previous 14 months, which included an exceptional provision of £2.07m.

Mr Stanley Cohen and Mr Simon Knott, the joint chairmen, told shareholders that with over 80 per cent of group turnover derived from the manufacture and distribution of consumer goods, Platignum was not immune to the effects of high interest rates and reduced consumer spending.

They pointed out, however, that in writing instruments the product range was being extensively improved and that the new ranges were obtaining improved listings from major customers.

Furniture manufacturing and retailing had a difficult year but the division remained profitable.

Group turnover for the year was £22.58m (£28.29m for 14 months).

Tax accounted for £11,000 (£191,000) and there was an extraordinary debit of £120,000 (£1.79m).

Earnings per share were 0.12p against a previous loss of 2.24p. No ordinary dividend is recommended – the last payment was for the year ended January 31 1982.

Robert Gunn signs off from Boots in confident mood

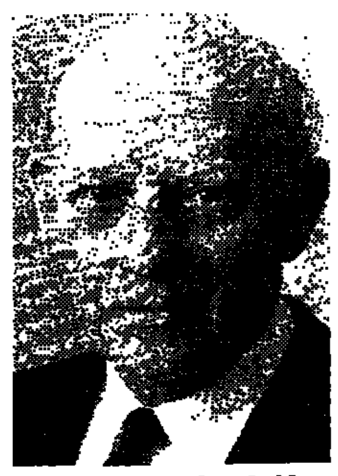
By Maggie Urry

SHAREHOLDERS in Boots, the retailer and pharmaceutical manufacturer, were given a fond farewell by Mr Robert Gunn, their chairman, who retired yesterday after 39 years with the group.

He told the annual meeting that group sales were 37 per cent ahead in the first quarter, boosted by the acquisition in August last year of Ward White, which included Halfords, the car parts retailer, and the Payless and Fads do-it-yourself chains.

Mr Gunn also held out strong hopes for Manoplax, the group's new heart drug, which last autumn suffered a set-back following disappointing trial results. "We are now back on course with fully restored confidence," he said. He was confident that with Manoplax the "already successful pharmaceutical division will enjoy a new level of growth."

Boots shares rose 3p to 296p yesterday. Sir Christopher Benson takes over as non-executive chairman today.



Robert Gunn: shareholders given fond farewell

However, shareholders asked some questions over the Ward White takeover, which has diluted Boots earnings growth. Mr Gunn said the purchase had taken Boots into much larger consumer markets than its existing businesses had. He was confident that earnings growth in the longer term "will more than compensate for the dilution of group earnings in the current financial period."

Mr Gunn said sales from the Boots the Chemist chain were up by nearly 6 per cent in the first quarter of the current year and that margins were increasing.

Elsewhere in the retail division there were "outstanding sales increases from Childrens World, Halfords and Boots Opticians".

In spite of the depressed housing market Boots' two DIY chains "produced respectable sales increases". Sales in the pharmaceutical division were ahead by over 6 per cent in the first quarter.

Mr Gunn concluded: "Surely the progress made in the first quarter, at a time of great difficulty for most high street retailers, is testimony to our strength."

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES (a)

To UK residents by reporting institutions in the UK at May 31, 1990 (Bank of England Quarterly Bulletin)

Amounts outstanding (sterling and other currencies, sterling only in italics) All monthly reporters £m		Total to UK Residents (d)	of which in sterling	Agriculture forestry & fishing	Energy and water supply: Oil and extraction of natural gas	Other energy industries	Water supply	Manufacturing industry: Total (d)	Extraction of minerals & ores	Metal manufacturing	Mineral products
Loans and advances											
1990	FEB	404,992		7,005	3,350	692	256	46,232	909	1,594	1,368
	MAY	416,974		7,014	3,446	540	266	47,448	972	1,751	1,444
Acceptances											
1990	FEB	20,583		68	534	161	13	7,098	60	210	121
	MAY	19,842		45	491	235	23	6,343	30	210	91
Total											
1990	FEB	425,575		7,073	3,884	854	270	53,330	969	1,804	1,509
	MAY	436,816		7,059	3,937	775	289	53,791	1,002	1,961	1,535
Of which in sterling											
1990	FEB	350,477		6,880	1,737	752	202	37,781	533	1,115	968
	MAY	361,272		6,880	1,935	729	216	37,556	587	1,104	995
Changes in total lending in sterling three months ended:											
1990	FEB(b)	16,458		184	322	140	80	2,574	-141	6	88
	MAY (c)	10,795		10	198	- 23	14	- 225	55	-11	27
In other currencies (Adjusted for exchange rates effects)											
1990	FEB (e)	876		64	- 78	20	28	695	-107	41	-12
	MAY	- 270		-26	-167	- 57	5	550	- 26	164	- 7
Group detail Total outstanding (Sterling and other currencies)											
Retail banks											
1990	FEB	233,667	220,812	6,584	1,293	282	80	26,458	506	794	848
	MAY	238,924	226,317	6,472	1,200	298	114	26,327	548	827	797

Amounts outstanding (sterling and other currencies, sterling only in italics)		Manufacturing industry (Continued): Chemical industry	Mechanical engineering	Electrical & electronic engineering	Motor vehicles	Other transport equipment (f)	Other engineering and metal goods	Food drink & tobacco	Textiles leather clothing and footwear	Other manufacturing
Loans and advances										
1990	FEB	2,433	3,339	5,126	1,322	1,354	3,038	7,862	3,038	14,829
	MAY	2,635	3,393	4,874	1,417	1,398	2,929	8,911	2,990	14,733
Acceptances										
1990	FEB	569	241	850	529	47	311	2,778	227	1,156
	MAY	597	184	745	556	46	225	2,261	258	1,141
Total										
1990	FEB	3,002	3,581	5,975	1,851	1,400	3,349	10,640	3,265	15,984
	MAY	3,232	3,577	5,619	1,973	1,443	3,154	11,172	3,248	15,874
Of which in sterling										
1990	FEB	2,200	2,641	4,393	1,559	1,226	2,581	7,309	2,516	10,760
	MAY	2,368	2,497	4,057	1,690	1,213	2,380	7,110	2,721	10,834
Changes in total lending in sterling three months ended:										
1990	FEB	52	180	349	395	- 2	225	683	15	724
	MAY	169	-145	-336	131	-16	-181	-199	205	74
In other currencies (Adjusted for exchange rates effects)										
1990	FEB	12	56	-173	- 3	23	- 75	629	19	285
	MAY	55	135	- 36	-12	56	- 22	713	-234	-238
Group detail Total Outstanding (Sterling & Other Currencies)										
Retail banks										
1990	FEB	1,665	2,298	3,200	650	1,015	2,337	4,047	1,876	*7,221
	MAY	1,812	2,243	2,791	635	942	2,241	4,317	2,066	7,107

Amounts outstanding (sterling and other currencies, sterling only in italics)		Construction (d)	Garages, distribution, hotels and catering: Total (d)	Retail motor trades	Other retail distribution	Wholesale distrib.	Hotels & catering	Transport & communications: Air transport	Other transport	Postal services & telecommunications
Loans and advances										
1990	FEB	15,606	37,565	4,201	11,765	11,095	10,533	1,229	4,304	961
	MAY	16,187	38,858	4,264	12,023	11,608	10,963	1,464	4,754	760
Acceptances										
1990	FEB	412	3,241	330	1,371	1,415	125	-	69	438
	MAY	411	2,999	280	1,195	1,391	133	-	71	143
Total										
1990	FEB	16,018	40,826	4,531	13,127	12,510	10,658	1,230	4,373	1,399
	MAY	16,598	41,857	4,544	13,217	12,999	11,096	1,464	4,826	903
Of which in sterling										
1990	FEB	14,605	32,765	4,436	12,281	7,297	8,751	1,022	3,189	1,105
	MAY	14,882	33,632	4,437	12,270	7,485	9,440	1,287	3,315	691
Changes in total lending in sterling three months ended:										
1990	FEB	913	489	241	- 609	161	697	256	79	- 13
	MAY	277	866	1	- 11	189	688	265	126	-424
In other currencies (Adjusted for exchange rates effects)										
1990	FEB	56	-1,027	- 6	- 17	-1,248	244	-18	89	- 6
	MAY	295	90	12	96	255	-273	-33	320	-76
Group detail Total Outstanding (Sterling & Other Currencies)										
Retail banks										
1990	FEB	10,475	22,405	3,005	8,059	4,612	6,731	355	2,482	647
	MAY	10,759	23,135	2,990	8,148	4,857	7,140	372	2,712	410

Amounts outstanding (sterling and other currencies, sterling only in italics)		Financial: Total	Building societies (g)	Investment and unit trust etc	Insurance companies pension funds etc	Leasing companies	Securities dealers etc (h)	Other financial	Business & other services: Total (d)	Central & local govt. services	Property companies	Hiring of movables	Other services	Persons: House purchase (i)	Other
Loans and advances															
1990	FEB	98,867	7,545	8,166	4,201	15,259	20,018	43,678	69,460	1,722	34,043	1,478	32,217	80,377	39,067
	MAY	100,904	7,290	7,741	4,633	16,351	21,492	43,396	72,501	1,714	35,678	1,609	33,499	82,766	40,065
Acceptances															
1990	FEB	7,282	-	94	90	1,232	23	5,843	1,266	-	76	101	1,089	-	-
	MAY	7,854	8	126	73	1,337	8	6,302	1,227	3	23	162	1,039	-	-
Total															
1990	FEB	106,149	7,545	8,260	4,291	16,491	20,041	49,522	70,726	1,722	34,119	1,579	33,306	80,377	39,067
	MAY	108,758	7,299	7,867	4,707	17,688	21,499	49,698	73,727	1,717	35,702	1,771	34,537	82,766	40,065
Of which in sterling															
1990	FEB	68,533	7,284	8,026	3,565	15,309	3,340	33,009	63,104	1,695	32,317	1,313	27,779	80,169	38,634
	MAY	71,508	7,151	8,103	3,971	16,253	3,469	34,562	66,463	1,699	34,005	1,418	29,340	82,503	39,675
Changes in total lending in sterling three months ended:															
1990	FEB	4,543	1,155	438	258	676	336	1,683	4,334	-177	2,317	- 18	2,211	2,065	511
	MAY	2,976	- 133	76	406	944	130	1,553	3,360	4	1,688	105	1,561	2,335	1,042
In other currencies (Adjusted for exchange rates effects)															
1990	FEB	506	95	- 18	-236	-102	611	158	487	-10	14	-121	604	39	21
	MAY	- 738	-118	- 500	3	246	1,192	-1,581	- 439	-11	-125	86	-389	54	-48
Group detail Total Outstanding (Sterling & Other Currencies)															
Retail banks															
1990	FEB	23,244	1,945	4,548	1,758	3,851	1,897	9,448	36,482	424	14,942	748	20,369	73,742	29,137
	MAY	22,345	1,403	4,014	1,804	3,835	1,869	9,421	38,910	527	15,745	880	21,758	75,971	29,902

(a) Comprises loans,advances and acceptances. Loans and advances include lending under the DTI special scheme for shipbuilding for UK buyers, secured money at call placed with Stock Exchange money brokers and gilt-edged market makers, and time deposits placed with, and holdings of certificates of deposit and other securities having an original maturity of one year or more issued by, building societies.
(b) Changes in the reporting population to February 1990 accounted for an increase of some £61m (net) in total sterling lending; other currency lending was increased by some £19m.
(c) Changes in the reporting population to May 1990 accounted for an increase of some £73m (net) in total sterling lending; other currency lending was reduced by some £5m.
(d) With effect from end-August 1989 the levels shown include Abbey National plc and Abbey National Treasury Services plc, who joined the reporting population at the beginning of July 1989. Both institutions are included in the retail banks group.
(e) Revisions to the calculation of the adjustments for exchange rate effects have resulted in substantial amendments to the foreign currency lending figures published in the press release of April 11. Amended figures for the quarter to end-May 1989 can be found in the May 1990 *Quarterly Bulletin*.
(f) Included lending under the DTI special scheme for shipbuilding for UK buyers.
(g) Includes time deposits placed with, and holdings of certificates of deposit and other securities having an original maturity of one year or more issued by, building societies.
(h) Included secured money at call placed with Stock Exchange money brokers and gilt-edged market makers.
(i) In the quarter to end-February 1990 one bank sold some £0.2bn of outstanding lending for house purchase to a financial institution. In the quarter to end-May 1990 one bank purchased some £0.3bn of outstanding lending for house purchase from a financial institution. No adjustments to the figures have been made for these.

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COMPANY NOTICE

VCL (HOLDINGS) LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 175 of the Companies Act 1985 ("the Act") that:

1. VCL (Holdings) Limited ("the Company") has, by special resolution passed on 20th July 1990 pursuant to Section 173 of the Act approved a payment out of capital for the purpose for purchasing issued ordinary shares of £1 each of the Company.
2. The amount of the permissible capital payment as defined in Section 171 of the Act is £172,800.
3. The statutory declaration of the directors of the Company and the auditors report required by Section 173 of the Act are available for inspection during business hours at the registered office of the Company being Estover Road, Plymouth PL6 7PJ
4. Any creditor of the Company may at any time within the five weeks immediately following the date of the resolution for payment out of capital apply to the Court under Section 176 of the Act for an order prohibiting the payment.

Dated: 20th July 1990

R J GALE
Secretary

intrum justitia

(Registered in Curacao No. 41415)

Notice of Special General Meeting

Shareholders in Intrum Justitia N.V. are hereby informed that a Special General Meeting of shareholders will be held on Tuesday August 7 1990 at 11 a.m. at the International Head Office of the Company, at Fuikstraat 6, Willemstad, Curacao, Netherlands Antilles. Shareholders will be asked to give their approval to the acquisition of CAS Group PLC by Intrum Justitia N.V. through its wholly owned subsidiary, Justitia International Limited.

Copies of the Circular and Proxy Voting Forms can be obtained from the financial advisers to the Company, J S Gadd & Co Ltd, at 45 Bloomsbury Square, London WC1A 2RA, England. Documents are also available at the Royal Bank of Scotland plc, Kredietbank S.A. Luxembourg and at the offices of Intrum Justitia N.V. at Fuikstraat 6, Curacao, Netherlands Antilles.

Shareholders may be represented at the meeting by proxy. Holders of bearer shares may establish their ownership by depositing their shares (or a certificate of deposit issued by a bank) at the offices of the company at Fuikstraat 6, Curacao, Netherlands Antilles, against receipt, not later than forty eight (48) hours before the time appointed for the meeting, and by producing the receipt at the meeting.

UK COMPANY NEWS

Large number of companies made similar bids

Yule Catto makes agreed £24.6m offer for Unilock

By Clare Pearson

YULE CATTO, the speciality chemicals, building materials and plantations group, is making a £24.6m recommended cash offer for Unilock Holdings, the office partitions company.

The deal follows Unilock's announcement last month that it was putting itself up for sale. Underlining disillusionment with the stock market among smaller companies, it said it saw no future in remaining an independently-listed company.

Yule Catto's offer values the shares at 106p. That compares with a price of 62p on June 11, the day before Unilock said it was inviting bids. The company floated at 63p per share four years ago. Having opened at 83½p the shares closed yesterday at 105p.

Accepting shareholders will be entitled to the 2.6p net final dividend, payable next month.

By the close yesterday Yule Catto had acquired 60.63 per cent of the shares. This comprised purchases of 6.9m shares and a 30.88 per cent stake irrevocably accepted by the Barling family, founders of the company, and the family of Randall Warner, the chief executive.

Mr Ken Roberts, Unilock's chairman, said the bidding had attracted very wide interest.

He said that all the offers that were considered were very close to each other in terms, but that from Yule Catto had appealed particularly on the grounds that the bidder had said it did not intend to make any redundancies. Additionally, there was a useful geographical fit between the activities of the two companies.

"This deal means we are now very well positioned for Europe," said Mr Alex Walker, Yule Catto's chief executive, yesterday. Building products was the fastest growing part of the group last year.

The acquisition will initially increase Yule Catto's gearing to about 80 per cent. Mr Walker said that he did not regard this as a source of concern, with interest cover standing at about four and the group generating cash.

Unilock is one of the largest manufacturers of demountable partitioning for open-plan offices in the UK and also has substantial operations in France.

Yule Catto's building products division makes high quality specification products and has operations in the Netherlands and West Germany.

Mr Ken Roberts and Mr Randall Warner will be departing after an initial handover period. But two executive directors will be staying on the board.

Yule Catto's building products division last year provided pre-tax profits of £6.2m, compared with £4.7m on sales of £74.3m, against £54.9m. Group pre-tax profits stood at £21.34m.

Unilock increased pre-tax profits by 65 per cent from £2m to £3.3m in the year to the end of March.

In saying it was putting itself up for a trade sale, Unilock said it was disillusioned with the stock market's failure to re-rate the shares to reflect growth in the company, and high interest rates which were inhibiting acquisitions.

Frederick Cooper in double purchase

By Andrew Bolger

FREDERICK COOPER, the Midlands-based mini-conglomerate, has conditionally agreed to pay £6.6m for Group Sales, the second largest independent distributor to the uPVC door and window industry in the UK.

Cooper has also agreed to pay Prior £3.6m for Beaver Architectural Ironmongery, a distributor of architectural ironmongery to the commercial sector in the south of England.

It is buying Group Sales from Aurora, a wholly-owned subsidiary of the Australian National Industries.

The acquisitions and associated expenses will be financed by the issue of 13.6m new Frederick Cooper shares at 81p each. Yesterday, Frederick Cooper shares closed down 3p at 87p.

The new shares, which rank for the final dividend of 2.5p, will be placed by Charterhouse Bank and will be subject to clawback for an offer to qualifying shareholders.

Mr Ed Kirk, chairman and chief executive of Cooper, said: "We have admired Group Sales for over two years and we welcome what will undoubtedly be a valuable addition to the group. The positive attitude of Group Sales' management has been particularly encouraging and together we share considerable optimism over the opportunities resulting from the significant impact that our enlarged operations will have in the uPVC fittings market.

"We are also pleased to welcome Beaver Architectural to our group as a further important step towards our strategy of creating a national distribution chain of companies serving the needs of the commercial architecturally specified market."

The Cooper board also forecast that pre-tax profits for the year to July 31 would be £4.6m, compared with £8.7m in the corresponding period last year. The board intends to recommend a final dividend of 2.5p, making a total for the year of 4p (3.85p).

Cooper said the company had experienced its low point in trading in the earlier part of this year and since then conditions had improved. The increased level of order intake in the core operating divisions and the potential of the acquisitions of Group Sales and Beaver Architectural encouraged directors to look forward to the new financial year with confidence.

Qualifying shareholders will be invited to buy the new ordinary shares on the basis of five new shares for every 13 ordinary shares, and five new shares for every 24.6 convertible preference shares.

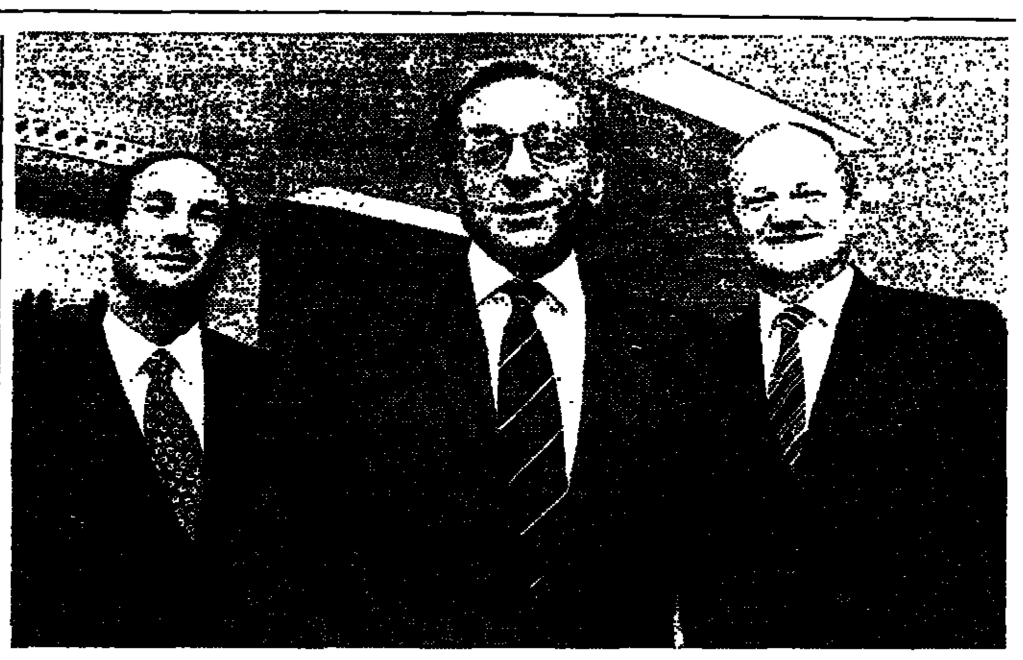
Hill & Smith slips to £2.3m over six months

HILL & Smith Holdings, the steel fabricator and stockholder, saw taxable profits slide from £2.86m to £2.3m for the six months to March 31.

The directors said action had been taken to stem losses at Tatham Miller, a steel stockholder acquired last September, by transferring the forge to the site of one of the company's forging subsidiaries. As a result, Tatham was expected to improve its contribution to group profits in the second half.

The 1989 figures were adjusted to account for the vendor placed shares issued on the acquisition of Tatham and the capital issue in 1990.

First half sales rose to £32.71m (£27.65m). Tax accounted for £806,000 (£1m) leaving earnings at 6.64p (8.23p). The interim dividend is being lifted from 1.75p to 1.95p.



Nelson Peltz, chairman and joint managing director of Mountleigh, with (left) Peter May, joint managing director, and Clive Strowger, chief executive. Mr Peltz and Mr May, US entrepreneurs, moved into the property and retail group last November after buying a 22.5 per cent stake from Mr Tony Clegg, who created the group out of an old textile mill. Yesterday's results, which showed a pre-tax loss of £46.8m after extensive provisions against UK property losses, were described as showing the group in a transitional phase.

NEWS DIGEST

J&J Dyson rises 11% to £2.5m

J&J DYSON, which has interests in coal-mining, builders' merchanting, and the manufacture of refractories and motor vehicles and trailers, lifted pre-tax profits 11 per cent to £2.5m in the year to March 31. Group turnover showed a small increase from £50.23m to £50.78m.

Profit in the vehicles and trailers division declined to £153,000 (£448,000) on turnover down at £8.85m (£10.08m). However, all the other divisions achieved rises: refractories turned in £1.61m (£1.52m) on turnover of £38.36m (£36.3m); mineral royalties contributed £426,000 (£359,000); and builders' merchanting £199,000 (£119,000) on lower sales of £3.57m (£3.85m).

A sharp turnround in interest boosted the profits figure, with a credit this time of £202,000, against a debit of £103,000 last. The employee profit sharing scheme took the same at £90,000.

In spite of increased tax at £667,000 (£464,000), a lower extraordinary surplus of £1m (£2.04m), and net profit down at £2.84m (£3.83m), earnings were up at 13.41p (13.07p) per share. An unchanged final dividend of 3p has been recommended for a maintained total of 5p.

Sidney Banks improves to £2.16m

Sidney C Banks, the grain and agricultural merchant, improved pre-tax profits by 19.5 per cent to £2.16m in the year to April 30 on turnover ahead from £132.39m to £143.83m.

Mr John Burr, chairman, said the board was well satisfied with the results bearing in mind that so many competitors were reducing their involvement in agricultural merchanting because of continuing losses.

The retail divisions again suffered as a result of reduced farm incomes but the group's non-agricultural interests once more increased their contribution to the overall results.

After tax of £807,000 (£673,000) earnings per share were 20.1p (16.9p). A proposed final dividend of 5.5p makes a total of 8p (7p).

An extraordinary profit of £451,000 reflected the sale of the group's animal feed mill at Eye, near Peterborough.

Interest charges curb rise at Ryan Hotels

The rise in pre-tax profits at Ryan Hotels was restricted to I£4,000 by a substantially increased interest charge of I£356,000, against I£211,000 last time.

In the six months to April 26, this Dublin-based hotel operator and tour operator achieved taxable profits of I£362,000 or £332,000, compared with I£358,000. Turnover was ahead at I£8.25m (I£7.78m) and trading profits rose I£149,000 to I£718,000. After a same-again tax charge of I£109,000, earnings slipped to 0.45p (0.5p) per 5p share.

The interim dividend is maintained at 0.5p.

Mr Conor McCarthy, chairman, said that the refurbishment of the Memphis Hotel in Amsterdam, acquired in May 1989 for about I£1.4m, was completed this May and the hotel had traded very satisfactorily since its re-opening.

Small rise to £5.28m at Allied Textile Cos

Allied Textile Companies, the manufacturer, processor and distributor of textile products, held taxable profits steady at £5.28m, compared with the previous £5.17m, for the half-year to March 31, while the interim dividend was up from 4.1p to 4.3p.

Improved financial earnings in the six months more than compensated for a less than buoyant performance in some of the group's manufacturing activities, Mr Charles Russell-Smith, chairman, stated.

The recently acquired business of Hugh Mackay "made a positive, albeit modest, contribution" to the result, the chairman added. The reorganisation of Mackay is expected to benefit the group significantly in the coming year.

Sales for the period was virtually unchanged at £52.69m (£52.67m), while tax amounted to £1.79m (£1.81m). Earnings per share held at 13.16p (13.15p).

Kitty Little hit by higher costs

Higher distribution and administration expenses and interest charges left taxable profits at Kitty Little Group much lower at £35,000 in the year to January 31, compared with £402,000. The result for this maker of consumer goods included profit from associates of £76,000.

The directors said the year had been a bitter disappointment having originally been seen as a period of strategic growth. The final dividend is being passed leaving a total for the year for this USM-quoted company of 0.575p (1.5p). It is hoped that there will be an interim payment for the present year.

Turnover increased to £4.46m (£4.21m). After tax of £11,000 (£144,000) earnings per share were 0.25p (2.9p).

Yeltsin opens way for free market grain sales

By Quentin Peel in Moscow

MR BORIS Yeltsin, president of the Russian Parliament, has drawn up emergency measures to save a bumper harvest in more than half the Soviet Union from being left rotting in the fields.

He published an appeal yesterday warning that the food supply situation in the republic was "critical" and that action was need "to avoid a catastrophe."

Mr Yeltsin, apparently without consulting the Central Government, has given permission for farms to sell any surplus crops – produced above their fixed contracts – on a virtually free market.

At the same time, he announced that special coupons – "Harvest 90 cheques" – will be paid to any workers on the harvest, guaranteeing them access to scarce consumer goods.

Fuel shortages in many different areas, and official estimates that one quarter of all combine harvesters are out of action for lack of spares, have combined to create a mood of near-panic in the Soviet authorities about the current harvest.

"I am not appealing to you to fight for the harvest," Mr Yeltsin said, in his address in the Sovietskaya Rossiya newspaper. "Everyone is tired of such appeals. . . The main thing is that good material incentives are required."

To that end, he said that all farm products produced "over and above what is agreed in contracts" could be freely sold throughout the Russian Federation to any consumer, at negotiated prices.

In addition, everyone working in any branch connected with the harvest – including transport workers, and workers in the food processing industry – would be entitled to the special harvest cheques. They would give the right to buy "goods in very short supply."

The new measures seem to cut across the deal already offered by the Central Government to purchase crops produced above plan targets for hard currency. However Mr Yeltsin's scheme would be aimed at keeping the grain in the Russian Federation harvest inside the borders of the republic.

Arrests at logging blockade

By Kevin Brown in Sydney

THREE ANTI-LOGGING protestors were arrested yesterday as tensions rose in an increasingly bitter confrontation between Australia's forest products industry and environmentalists.

The arrests were part of a crackdown by the Queensland State Government on protestors who have prevented logging for six weeks on around 1,000 hectares of forest on Fraser Island, north of Brisbane.

Mr Wayne Goss, Queensland's Labor Premier, said the protestors were "a small noisy group" trying to undermine an inquiry into Fraser Island logging being carried out by Mr Tony Fitzgerald, the leading QC who headed an earlier inquiry into corruption under the former National Party Government.

However, the protestors were supported by several conservation groups which are boycotting the Fitzgerald inquiry because of the State Government's refusal to impose an interim moratorium on logging.

Brisbane Rain Forest Action Group, one of the organisers of the protest, said outraged activists were heading for Fraser Island from all over Australia to join the blockade.

More than 1,000 km to the south, forestry interests and conservationists are also arguing about logging rights in more than 300,000 hectares of the south-east forests of New South Wales.

Environmental groups want logging banned in 85,000 hectares of hardwood forest on the federal government's National Estate list, a register of areas of national interest operated by the Australian Heritage Commission.

Logging is already banned in around 20,000 hectares of forest designated as national parks by the NSW State Government, but it has refused to designate the National Estate forests as national parks.

Under Australia's constitution, the Federal Government has no direct powers over environmental matters, which are left to the states. However, the Government does have some leverage because of a duty to protect the value of National Estate land.

Differences over the interpretation of this requirement prompted the Government to commission a series of reports into the forests. However, the first report to be completed – by a scientific committee – has intensified the argument because of disagreement about its methodology and conclusions.

A Cabinet row appears to be building up between Mr Alan Griffiths, the Resources Minister, who is sympathetic to continued logging, and Mrs Ros Kelly, the Environment Minister, who seems to be seeking to maximise the area of protected forest.

"Mr Griffiths has an extremely naive and ill-informed approach to his portfolio," said Ms Karenne Jurd, national forests campaign director of the Wilderness Society. "His advisers are pushing the timber industry line rather than a more equitable approach to the way we use our forests resource."

Greener set-aside rules announced

NEW RULES to make the set-aside of arable land more acceptable environmentally were announced yesterday by Mr John Gummer, the UK Minister of Agriculture, writes Bridget Bloom. The new rules will permit limited grazing of fallowed land and will enjoin farmers to protect buildings, walls and other features. Compensation will be increased by between 5 and 10 per cent for those joining the project in the coming season, the third since the EC-backed scheme was introduced.

Alcan smelter strike over

By Robert Gibbens in Montreal

ALCAN ALUMINIUM has settled with its workers at its 270,000 tonnes-a-year smelter at Kitimat in north-western British Columbia, avoiding a shutdown.

Late yesterday 1,500 members of the Canadian Association of Smelter and Allied Workers accepted the company's latest offer in a 62.5 per cent vote and immediately began returning to work. They operate a nearby hydro-electric plant as well as the smelter.

The workers walked out on Monday at midnight when the old contract expired. On Wednesday evening they refused to ratify a deal for a $1,500 signing bonus, a 6 per cent basic pay increase in each of a three-year contract, plus inflation protection in the third year.

Alcan then increased the bonus to $1,750 and advanced the inflation protection to the second year.

No licence for dairy hormone product

By Bridget Bloom, Agriculture Correspondent

EFFORTS TO market the milk yield-boosting hormone bovine somatotropin (BST) in the UK received a setback yesterday when a British scientific committee refused to license a new BST product from the US Monsanto Corporation.

The Veterinary Products Committee, which advises the Government on the safety, quality and efficacy of veterinary medicines, said yesterday that it was not "completely satisfied. . . with some pharmaceutical aspects of the product or with aspects of the safety of treated animals."

The committee described its decision not to recommend licensing of the Monsanto product as provisional, adding that the company could appeal to the Medicines Commission if, in September, the committee confirmed its decision.

However, its judgement will be seen as a blow to hopes that BST, a genetically-engineered hormone, will soon be commercially marketable.

Monsanto, whose trials of BST in the UK are now in their fifth year, said yesterday that it was confident that additional data on dairy cow safety as well as reassurance on manufacturing conditions would, when submitted on appeal, "resolve all remaining concerns on BST."

Controversy has surrounded BST since the outset. An effective ban on the use of the product in the European Community is in operation, although it is not yet clear whether it will be renewed into next year.

Yesterday the veterinary committee said that it was satisfied that the Monsanto product was "efficacious and if it was licensed it would not pose a risk either to human or environmental safety." However, "If the product is to be used commercially, the committee is not completely satisfied on the basis of the data presented with some pharmaceutical aspects of the product or with aspects of the safety of treated animals."

Monsanto is one of two US companies – the other is Eli Lilly – which have applied for approval of BST, a hormone naturally occurring in cows that is replicated using the gene-splicing techniques of biotechnology. Monsanto claims that BST can increase dairy cow's milk yields by 15 to 25 per cent, depending on a dairy farmer's efficiency.

The two companies have also applied for licences from the Food and Drug Administration of the US, where the hormone is proving equally controversial among farmers.

Fairer deal for Peruvian mining

Sally Bowen on the new Government's recipe for revival

PERU'S NEWLY-appointed Minister for Energy and Mines in a multi-party cabinet is Fernando Sanchez Albavera, a member of Socialist Left, the mildly Marxist splinter party. He is an economist and former consultant on mining to the Inter-American Development Bank with good technical knowledge of the industry. His appointment has been generally well received by the mining industry.

The policy of the new Cambio (Change) 90 Government on mining and energy, as indeed on all else, is as yet vague, but Mr Sanchez Albavera promises that mining companies can expect a "realistic" exchange rate that will encourage the sector to increase production and provide the hard currency Peru desperately needs.

Mining policy, he says, will be aimed initially at encouraging small and medium-sized projects financed with national capital. It is widely accepted that, even with the expected re-establishment of relations with the international financial community, it will be some time before substantial flows of foreign investment enter Peru. But Mr Sanchez Albavera says there will be clear rules of the game for foreign capital, which will be welcomed.

Mr Augusto Baertl, Vice-President of Peru's National Mining Society, describes the industry as "sitting on top of a volcano." However, early indications are that the new Government's policies will favour exporters. President-elect Fujimori and his Prime Minister and Minister of the Economy have guaranteed publicly that the MUC dollar, the official trading rate, will definitely be abolished.

Miners currently receive a percentage of the value of their exports at the MUC rate, which in the past six months has been around a quarter of the free dollar rate. Given that even the "free" rate is well below what exporters consider to be real dollar parity (based on 1985 exchange rates), miners reckon they have been receiving only about half of the true value of production. Mr Baertl's own company, Milpo, had record production of lead and zinc concentrates last year with sales of $50m, "but we still lost money" he says. "Only a couple of mines in all Peru made a profit last year, despite the high international prices."

The unfavourable exchange rate has had serious longer-term consequences for Peruvian mining. Many small mines have closed down and all exploration has ceased. In order to survive, miners have been exploiting the richest veins, seriously depleting their reserves position. Maintenance has been cut to a minimum and most mines urgently need replacements and spare parts.

Looking ahead to recovery, Mr Baertl estimates that Peruvian mining has about 20 per cent of its installed capacity idle and could reactivate within six months, given an attractive exchange rate and a tariff policy that does not have adverse effects on production. The industry complains that, under present regulations, some equipment imports incur duties up to 100 per cent, affecting their international competitiveness. They will be asking for a maximum tariff of 40 per cent.

According to the National Mining Society, there is considerable Japanese, Canadian and European interest in investing in Peru, especially in zinc. The Brazilian company Norberto Odebrecht has just taken a 15 per cent share worth $5m in the zinc deposits of Iscaycruz in the department of Lima, in association with a Peruvian company and the state mining company Mineroperu.

The labour panorama, however, remains clouded in uncertainty. Like the rest of Peruvian workers, mining labourers are anxiously awaiting the presidential address to the nation on 28 July and the inevitable announcement of tough economic adjustment measures. Mr Sanchez Albavera, following Mr Fujimori's line, has emphasised the need for an "adjustment with equity."

According to the Mining Federation, more important than the government line, will be the reaction by the National Mining Society to their annual pay claim. The federation holds its 21st annual assembly in Lima between August 9 and 11, when the postponed question of a national strike will be discussed.

Meanwhile, workers at state-owned Centromin have made a successful last-minute grab for extraordinary wage rises in the last few days of the present Government. Last weekend Centromin unions called off a threatened strike after negotiating a substantial wage rise directly with employers. With monthly inflation running around 50 per cent, the normal quarterly rises have left workers lagging behind.

AT MINEROPERU, the state minerals company, workers went on strike yesterday after talks with the management broke down. *Mineroperu produces high grade copper cathodes from Southern Peru Copper Corporation's copper blister at its refinery in the southern Peruvian port of Ilo and lower grades at Cerro Verde.* The company also has a zinc refinery at Cajamarquilla, and the gold mine of San Antonio de Poto as well as the Bayovar phosphates plant. A union official has estimated that a stoppage would cost the company $1m a day.

The strike has halted most production at the company's copper refinery at Ilo and the zinc refinery at Cajamarquilla, a company official told Reuters. He said it had less impact at the 26,000 tonnes-a-year copper mine at Cerro Verde.

Worker absenteeism was 60 to 65 per cent at Ilo and Cajamarquilla, the country's largest copper and zinc refineries respectively, and about 50 pct at Cerro Verde in morning shifts, he added.

Halperin goes for growth at Comex

Barbara Durr talks to the New York exchange's new president

THE NEW York Commodity Exchange (Comex) is the world's most active metals market, but Mr David Halperin, who returned to the exchange last week as its new president, will not be satisfied just to keep it at the top of the league. Trading volume has been stagnant in recent years at between 18m and 20m contracts a year and Mr Halperin is keen to get turnover back onto a rising trend.

Approval of an innovative gold instrument with no set life span that is being submitted today to the Commodity Futures Trading Commission could be a step in the right direction, but the development of new trading products is not the main thrust of the new president's strategy.

Part of the reason for this, he explains, is the low success rate of one in 40 or 50 for new products. He sees more scope for increasing volume in the multiplication of trading possibilities for existing products.

Soon, for instance, Comex will submit to the CFTC a proposal to string out trading in gold futures contracts from the present two years to five years. There are also plans to develop options on these spread-out futures and, possibly, to narrow the options periods to as little as one to five days.

In addition the exchange looking at ways to alter its rules in an effort to bring back business that has drifted from the floor of the exchange to forward contracts for physicals. But Mr Halperin says it is too early to give details. This business was lost mainly because traders found their large block trades moved prices too easily.

Given that Comex products are traded around the world, Mr Halperin is also interested in pursuing after-hours trading through the Globex computer system being developed in Chicago. He says he has expressed interest to officials at the Chicago Mercantile Exchange (CME), though specific negotiations have not begun.

The Globex system, which was originally designed for trading financial futures, is expected to be launched late this year. The CME is currently in discussions with the Chicago Board of Trade on amalgamation of the latter's independently developed system, Aurora, with Globex.

Regarding technology, Mr Halperin says Comex is moving ahead with development of a hand-held electronic trading card. A mock trading test a few months ago has led to some modifications of both the software and hardware and an "implementable terminal" should be ready by late 1991.

Mr Halperin may also prove a particularly important link in the long-running merger discussions with the New York Mercantile Exchange, the world's leading energy market, where he was briefly executive vice president before his appointment as Comex president. He expects a merger or combination agreement acceptable to both exchanges' memberships can be reached by late September or early October. He warned, however, that more than one proposal might be tabled.

His stint at Nymex lasted only six months, but he says his relationship with the Nymex leadership is good. During the previous eight years, he had been vice president for finance and then executive vice president at Comex.

In his new appointment Mr Halperin replaces Mr Arnold Staloff, who had won praise as an innovator at the Philadelphia Stock Exchange but failed to mesh well with the tight-knit New York futures trading community.

Mr Halperin, an accountant, does not come from a trading background, but is considered a Comex insider. Mr Martin Greenberg, the exchange's chairman, says Comex's membership is delighted to have him back. "We consider David a member of our family," he says.

WORLD COMMODITIES PRICES

MARKET REPORT

ALUMINIUM prices closed ahead for the third consecutive day on the LME, leaving cash metal $46.50 ahead of Monday's close. An early rise yesterday reflected Far East buying after surprise news Alcan's Kitimat workers had gone on strike and the company was in the process of shutting down the 273,000-tonnes-a-year plant. News that Kitimat workers had accepted a new labour contract came after the close. Copper prices improved, helped by news that Minero Peru workers had walked out and that the Chilean government decided to lift a strike ban at Codelco's Chuquicamata division. However, the Minero Peru news failed to lift the zinc market, which closed steady after some late liquidation. Nickel prices fell on general liquidation. Tin moved ahead on continued US buying interest. Gold fell back below $370 a fine ounce in London. "It was clear from the open interest falling in New York (overnight) that Wednesday's rally was on short covering rather than new buying and gold has fallen back as we've seen that disappear," said one analyst. Comex gold prices were easier by midsession although the dollar weakened against most major currencies except the yen.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.90-6.95y	-.075
Brent Blend	$19.34-9.36y	-0.05
W.T.I. (1 pm est)	$20.42-0.44y	-0.04
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$261-269	
Gas Oil	$175-178	
Heavy Fuel Oil	$74-77	-½
Naphtha	$162-164	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.50	-4.00
Silver (per troy oz)♣	486c	-1
Platinum (per troy oz)	$475.75	-6.50
Palladium (per troy oz)	$117.00	-0.35q
Aluminium (free market)	$1615	+50
Copper (US Producer)	126.0c	
Lead (US Producer)	50.0c	
Nickel (free market)	445c	-5
Tin (Kuala Lumpur market)	15.97r	+0.02
Tin (New York)	284c	+1
Zinc (US Prime Western)	87.5c	
Cattle (live weight)†	105.44p	-2.03*
Sheep (dead weight)†	134.80p	-14.0*
Pigs (live weight)†	78.02p	-8.87*
London daily sugar (raw)	$290.4z	+4.4
London daily sugar (white)	$373.5z	+5.0
Tate and Lyle export price	£271.5	+3.0
Barley (English feed)	£107.75	
Maize (US No. 3 yellow)	£160w	+1
Wheat (US Dark Northern)	Unq.	
Rubber (Sep)♥	52.25p	
Rubber (Oct)♥	52.75p	
Rubber (KL RSS No 1 Aug)	234m	
Coconut oil (Philippines)§	$300q	
Palm Oil (Malaysian)§	$272.5	+2.5
Copra (Philippines)§	$202.5y	
Soyabeans (US)	£150	
Cotton "A" Index	90.55c	-0.35
Wooltops (64s Super)	458p	-10

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	254.20	259.00	260.20	256.00
Oct	254.20	257.00	258.40	254.00
Dec	264.80	267.00	265.00	255.00
Mar	244.20	247.00	248.80	244.00
May	244.60	248.00	249.40	244.40
Aug	245.60	249.00	250.00	247.00
Oct	243.80	246.00	248.00	244.00
White	**Close**	**Previous**	**High/Low**	
Oct	316.0	316.5	319.5	316.0
Dec	310.0	311.5	314.0	311.0
Mar	310.0	311.0	314.0	310.0
May	312.0	313.5	316.0	314.0
Aug	316.0	316.8	322.0	313.0
Oct	307.0	308.3	304.0	

Turnover: Raw2022 (1794)lots of 50 tonnes. White 446 (447)
Paris- White (FFr per tonne): Oct 1724, Dec 1692 Mar 1712, May 1727, Aug 1752

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Sep	19.37	19.64	19.47	18.91
Oct	19.52	19.38	19.67	19.17
Nov	19.60	19.45	19.60	19.30
Dec	19.70	19.60	19.75	19.32
Jan	19.60		19.60	19.58
IPE Index	19.61	19.64		

Turnover: 7998 (10916)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low	
Aug	174.75	174.75	176.00	172.25
Sep	174.50	175.00	175.25	172.00
Oct	176.25	177.25	178.75	175.00
Nov	178.00	178.50	178.50	175.50
Dec	179.50	179.75	179.50	176.25
Jan	178.50	179.50	179.00	174.75
Feb	175.00	176.75	175.00	
Mar	169.00	168.00	169.00	168.00
Apr	165.00	170.00	169.00	165.00

Turnover 6123 (3930)lots of 100 tonnes

FRUIT & VEGETABLES

Watermelons are available at £1.50-2.50 each (£2.50-4.00), with Honeydew varieties at 80p-£1.00 (60p-£1.00), reports FFVIB. Kiwifruit at 16-25p each (16-25p) are good value, as are peaches and nectarines at 14-24p each (14-24p). Stick beans are abundant at 80p-£1.20 a lb (£1.70-1.80), with broad beans at 30-50p a lb (30-50p). Carrots are excellent value at 22-35p a lb (22-35p) as are new crop potatoes at 12-16p a lb (12-16p) and cauliflowers at 40-50p each (40-50p). Tomatoes are available at 70-80p a lb (45-55p), with iceberg lettuce at 40-65p each (45-65p) and spring onions at 20-35p a bunch (20-35p).

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Jul	757	753		
Sep	771	765	772	763
Dec	803	795	802	794
Mar	830	824	830	822
May	850	843	848	842
Jul	868	863	868	862
Sep	888	882	885	880

Turnover: 2954 (3022) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 25 999.48 (985.92) 10 day average for Jul 26 986.91 (985.38)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low	
Jul	538	536	542	536
Sep	557	557	563	553
Nov	577	577	583	575
Jan	598	596	602	596
Mar	616	615	620	614
May	635	635	639	635
Jul	654	655	657	656

Turnover: 2566 (2676) lots of 5 tonnes
ICO indicator prices (US cents per pound) for July 25: Comp. daily 68.29 (67.76). 15 day average 67.95 (67.94)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low	
Nov	80.0	185.0		
Apr	122.6	129.0	126.0	122.5
May	132.5	141.0	136.0	132.5

Turnover 151 (357) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low	
Oct	108.50	109.70	110.50	108.50

Turnover 27 (10) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low	
Jul	1148	1280		
Aug	1175	1175	1175	1170
Oct	1275	1280	1277	1270
Jan	1290	1148	1290	1285
Apr	1286	1263	1295	1285
BFI	1150	1142		

Turnover 141 (185)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low	
Sep	112.65	111.40	112.10	112.00
Nov	116.60	115.60	116.80	116.00
Jan	120.80	119.65	120.80	120.20
Mar	123.65		123.65	
May	127.25	126.40	127.25	127.10
Barley	**Close**	**Previous**	**High/Low**	
Sep	111.50	110.50	111.50	110.75
Nov	115.65	114.75	115.70	115.15
Jan	118.15	118.50	118.90	118.60
Mar	122.15	121.50	122.00	121.75

Turnover: Wheat 176 (38), Barley 318 (167).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Aug	113.0	114.0	113.5	113.0
Oct	113.5	115.0	114.0	
Nov	112.0		112.0	

Turnover 45 (14) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 17,650 lots
Cash	1587-600	1585-7		1612-4		
3 months	1626-7	1615-6	1639/1620	1639-40	1634-5	42,613 lots
Copper, Grade A (£ per tonne)						Total daily turnover 33,872 lots
Cash	1546-8	1535-7	1543/1542	1542-3		
3 months	1521-2	1508-9	1523/1510	1518-9	1521-2	85,060 lots
Lead (£ per tonne)						Total daily turnover 2,056 lots
Cash	459-61	470-2	460.5/460.5	460-0.5		
3 months	466-6.5	475.5-6	475/462	466-6.5	465-6	10,798 lots
Nickel ($ per tonne)						Total daily turnover 1,851 lots
Cash	9625-75	9900-50	9650/9625	9620-30		
3 months	9450-75	9800-50	9800/9475	9550-75	9450-75	9,554 lots
Tin ($ per tonne)						Total daily turnover 681 lots
Cash	6040-55	5990-6000	6010/6010	6010-5		
3 months	6160-70	6110-20	6180/6130	6125-30	6165-75	5,129 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,405 lots
Cash	1582-5	1580-5	1585/1581	1580-2		
3 months	1543-8	1547-8	1548/1530	1544-5	1535-8	18,826 lots

LME Closing £/$ rate: SPOT: 1.8125 3 months: 1.7823 6 months: 1.7581 9 months: 1.7345

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	368¼-368¾	203-203½
Opening	370-370½	204½-205
Morning fix	370.60	204.921
Afternoon fix	368.75	203.291
Day's high	370¾-371¼	
Day's low	367¾-368¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	377-382	208-211
Britannia	377-382	208-211
US Eagle	377-382	208-211
Angel	377-382	208-211
Krugerrand	368-371	203-205
New Sov.	86-88	47½-49¼
Old Sov.	86-88	47½-49¾
Noble Plat	481.45-489.10	265.85-270.05
Silver fix	**p/fine oz**	**US cts equiv**
Spot	268.25	485.25
3 months	276.40	495.25
6 months	288.40	505.20
12 months	307.50	525.60

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1500	119	138	3	10
1600	43	69	25	38
1700	8	27	89	93
Copper (Grade A)	**Calls**		**Puts**	
2650	164	142	37	122
2750	103	100	74	177
2850	59	67	129	242
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	59		2	
550	22	53	15	26
600	5	29	48	52
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
700	74		4	
750	37	88	17	36
800	15	61	49	59
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1850	74		22	36
1900	49	57	47	49
1950	27	57		75

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	369.3	372.0	0	0
Aug	369.8	372.4	371.5	368.4
Sep	371.5	374.3	373.0	371.3
Oct	373.8	376.7	375.8	372.1
Dec	378.3	381.2	380.5	377.0
Feb	382.7	385.6	384.8	381.5
Apr	386.9	389.8	387.8	386.0
Jun	391.4	394.3	0	0
Aug	395.7	398.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	475.3	478.8	478.0	477.0
Aug	477.3	481.3	0	0
Oct	481.4	485.8	484.5	479.0
Jan	486.8	491.2	490.0	486.5
Apr	492.2	496.6	496.0	0
Jul	497.6	502.0	502.0	0
Oct	503.1	507.5	506.0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	485.0	482.8	485.0	482.0
Aug	485.2	483.2	0	0
Sep	489.0	487.0	490.0	485.1
Dec	499.9	497.9	500.5	496.5
Jan	502.6	500.6	0	0
Mar	510.2	508.2	510.0	507.5
May	517.0	515.0	517.5	515.0
Jul	523.9	521.9	524.0	522.0
Sep	531.3	529.3	532.5	530.5
Dec	542.3	540.3	542.0	540.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	125.50	123.70	126.00	125.00
Aug	124.15	122.65	124.85	123.65
Sep	122.90	121.65	123.90	122.30
Oct	120.95	119.65	120.70	120.65
Nov	118.85	117.35	118.35	118.35
Dec	115.80	114.65	116.60	115.20
Jan	114.00	112.80	0	0
Mar	110.10	109.15	0	0
Apr	108.45	107.55	0	0
May	106.80	105.95	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	20.39	20.38	20.57	19.95
Oct	21.02	20.89	21.20	20.60
Nov	21.30	21.11	21.45	20.75
Dec	21.44	21.23	21.62	20.97
Jan	21.45	21.25	21.60	21.03
Feb	21.45	21.26	21.62	21.02
Mar	21.55	21.27	21.57	21.11
Apr	21.52	21.28	21.52	21.12
May	21.55	21.29	21.55	21.06
Jun	21.50	21.30	21.58	21.13

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5850	5794	5900	5720
Oct	5960	5889	5990	5830
Dec	6160	6097	6195	6035
Feb	6100	6040	6100	5978
Mar	5890	5840	5895	5780
Apr	5710	5660	5710	5620
May	5515	5540	5520	5500

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1275	1267	1284	1260
Dec	1313	1306	1324	1300
Mar	1350	1344	1357	1345
May	1374	1366	1375	1375
Jul	1391	1385	1395	1395
Sep	1413	1407	1425	1420
Dec	1443	1440	1450	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	90.85	88.80	90.90	88.60
Dec	94.50	92.40	94.60	92.30
Mar	97.50	95.80	97.50	95.55
May	99.25	97.60	0	0
Jul	101.00	99.00	100.75	100.75
Sep	103.25	100.90	103.25	103.25
Dec	105.75	104.00	104.60	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.37	11.45	11.49	11.34
Mar	11.03	11.13	11.16	11.02
May	11.05	11.14	11.15	11.04
Jul	11.04	11.16	11.16	11.03
Oct	11.05	11.16	11.17	11.05

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	77.70	77.38	77.96	77.03
Dec	73.71	73.29	73.95	72.75
Mar	74.58	74.17	74.77	73.60
May	74.98	74.55	74.95	74.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	176.20	172.15	177.00	171.50
Nov	166.60	162.25	166.60	162.10
Jan	162.65	158.40	163.00	159.30
Mar	162.05	158.15	0	0
May	161.65	157.75	0	0
Jul	161.65	157.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 26	Jul 25	mnth ago	yr ago
1798.0	1796.1	1856.8	1909.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 25	Jul 24	mnth ago	yr ago
Spot	132.30	131.79	131.81	130.37
Futures	131.61	130.93	131.81	129.42

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	592/4	583/6	594/0	583/4
Sep	598/2	588/2	598/4	588/4
Nov	609/2	599/2	610/0	598/2
Jan	620/4	609/4	621/2	610/0
Mar	632/0	620/4	632/0	621/0
May	639/4	627/0	640/0	627/4
Jul	645/4	634/0	646/0	633/4
Aug	635/0	626/0	635/0	635/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	23.79	23.50	23.87	23.50
Sep	23.79	23.56	23.80	23.56
Oct	23.92	23.58	23.95	23.60
Dec	23.87	23.58	23.95	23.58
Jan	23.92	23.65	23.95	23.70
Mar	23.95	23.72	23.95	23.80
May	23.95	23.75	23.95	23.80
Jul	23.96	23.70	24.00	23.78

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	171.1	168.9	171.9	168.9
Sep	172.9	170.3	173.6	170.4
Oct	174.1	171.3	175.1	171.5
Dec	177.5	174.0	178.3	174.2
Jan	178.7	175.2	179.1	176.0
Mar	181.5	177.5	181.5	178.0
May	182.0	179.0	182.0	179.0
Jul	183.0	182.2	183.0	181.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	263/4	260/6	263/6	259/2
Dec	258/6	256/0	259/0	254/4
Mar	265/6	263/4	265/6	262/0
May	271/0	269/2	271/0	267/4
Jul	273/2	272/2	273/4	271/0
Sep	265/4	265/2	266/2	265/0
Dec	261/0	260/4	261/6	260/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	301/6	301/4	302/4	299/2
Dec	318/2	318/0	318/6	315/0
Mar	326/4	325/6	328/6	323/0
May	325/0	323/4	325/4	322/4
Jul	321/4	320/4	322/0	321/0
Sep	326/0	0	326/0	326/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	77.65	77.67	77.72	77.37
Oct	78.47	78.32	78.50	77.95
Dec	77.37	77.05	77.40	77.00
Feb	76.77	76.55	76.85	76.50
Apr	77.10	76.90	77.25	76.85
Jun	74.56	74.30	74.85	74.25
Aug	73.02	72.82	73.20	73.02

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	60.12	60.67	60.50	59.92
Oct	53.57	53.95	53.90	53.05
Dec	51.82	52.27	52.15	51.70
Feb	49.45	49.86	49.65	49.05
Apr	46.27	46.25	46.50	46.10
Jun	50.05	50.20	50.20	50.00
Jul	50.40	50.37	50.40	50.15
Aug	48.75	48.75	0	48.70

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	46.95	47.12	49.12	47.10
Feb	54.85	53.90	55.70	53.75
Mar	54.12	54.10	55.20	53.35
May	54.40	54.45	55.65	53.65
Jul	54.00	54.15	54.70	54.00

LONDON STOCK EXCHANGE

Equities slide below FT-SE 2,350

HIGHLY disappointing first-half trading figures from ICI, coupled with a shaky start to the new Wall Street session, brought the UK equity market down heavily yesterday.

Trading volume remained sluggish, with the exception of ICI and a handful of other special situation stocks, but the FT-SE Index fell 20 points, breaking through an important resistance level.

The interim results from ICI were below even the most recently downgraded forecasts from London brokerage houses and, as an additionally disappointing feature, failed to produce an expected increase in the half-time payout.

Account Dealing Dates		
*First Dealings:		
Jul 9	Jul 23	Aug 6
Option Declarations:		
Jul 19	Aug 2	Aug 16
Last Dealings:		
Jul 20	Aug 3	Aug 17
Account Day:		
Jul 30	Aug 13	Aug 28

*New-time dealings may take place from 8.30 am two business days earlier.

"It was very negative for Great Britain plc, as well as ICI," commented a trader at County NatWest.

ICI's reference to a "more difficult business environment," although merely emphasising the bearish views on the corporate profits outlook circulated for some weeks past by City analysts, hit the market hard. ICI shares, already weak ahead of the statement, fell heavily in confused trading which saw the trading screens signalling a backwardisation in the share price – when shares could briefly be bought from one marketmaker and sold at a higher price to another. The ICI share price lost 6 per cent on the day, and Shell was among other leading stocks to suffer in sympathy.

The ICI news quickly reversed an early gain of five Footsie points in a market responding initially to firmness in sterling and in UK Government bonds, as well as a steadier trend on Wall Street overnight.

The loss on the Footsie soon extended to double figures and was carried further when Wall Street opened sharply down. The important FT-SE 2,350 level was abandoned, and at the worst the index was nearly 27 off, with 2,330, the next support level, only seven points away. However, London steadied as the New York market rallied at mid-session.

The final reading showed the FT-SE Index at 2,344.1, a loss of 20.6 on the day. The market is now some eight Footsie points below the closing level on Monday, when Wall Street's weakness first unsettled London.

Seaq trading volume increased to 468.8m shares from 427.5m in the previous session, but yesterday's total included heavy trading in ICI (7.6m shares) and in Unilock (13m), which agreed to a bid from Yule Catto. Also contributing to market activity was a placing of 14m shares in Johnson Matthey, representing the entire 8 per cent stake held by Cookson Group.

Traders commented that, outside these special situations, stock market business was unimpressive. Equity turnover has returned to dismal levels, posing a threat to the financial health of some securities houses.

FINANCIAL TIMES STOCK INDICES

	July 26	July 25	July 24	July 23	July 20	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.07	78.99	79.53	79.43	N/A	87.07	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.08	88.08	88.38	88.23	88.06	97.14	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1851.5	1865.7	1866.7	1867.1	1898.1	1902.5	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	186.9	188.2	184.7	182.6	181.9	193.2	378.5 (8/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2344.1	2364.7	2360.9	2359.7	2400.1	2283.7	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.04	4.99	4.97	4.96	4.88	4.30				
Earning Yld %(full)	10.97	10.98	10.95	10.93	10.76	10.04				
P/E Ratio(Net)(☆)	11.08	11.04	11.07	11.10	11.27	11.97				
SEAQ Bargns 4.45pm	20,434	21,758	21,391	23,926	N/A	28,446				
Equity Turnover(£m)†	-	865.99	801.52	882.05	908.88	1330.28				
Equity Bargains†	-	21,032	21,092	23,956	27,933	29,888				
Shares Traded (ml)†	-	342.4	445.1	329.5	384.1	451.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.91

Ordinary Share Index, Hourly changes — Day's High 1871.1 — Day's Low 1845.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1866.6	1867.1	1870.0	1853.7	1858.9	1857.1	1852.7	1848.1	1851.6

FT-SE, Hourly changes — Day's High 2369.7 — Day's Low 2337.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2363.6	2364.5	2367.7	2359.8	2353.7	2352.2	2344.8	2339.9	2343.3

GILT EDGED ACTIVITY

Indices*	July 25	July 24
Gilt Edged Bargains	86.5	86.3
5-Day average	83.1	83.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	761	170	-½	Courtaulds	847	369	-10	Manpower	348	75	-1	Smith (W.H.) A	35	380	-5
ASDA Group	9,900	120½	+1½	Dalgety	273	388	-2	Marks & Spencer	1,900	241	-5	Smith & Nephew	1,300	118	-½
Abbey National	5,700	222	-5½	Dixons	872	146	-1	Maxwell Comms	2,500	182½	+2½	SmKl Beecham	1,100	536	-2
Allied-Lyons	361	504		ECC Group	327	409	+3	Mecca Leisure	42	81	-1	SmKl Beecham Units	20	2483	-15
Amstrad	600	67		Enterprise Oil	225	675	-12	Midland Bank	2,900	286	-2	Smiths Inds.	917	217	-5
Anglian Water	1,000	233	+1	FKI	1,800	72		NatWest Bank	4,500	333	-4	South West Water	960	240	+2
Argos	696	237	-4	Ferranti	319	30		Next	989	48	+½	Southern Water	1,600	210	+3
Argyll Group	2,100	245	-1	Fisons	872	380	-4	North West Water	4,300	236	+3	Standard Chartd.	280	433	-3
Ass. Brit. Foods	118	415	-2	Gen. Accident	835	508	-11	Northern Foods	905	335		Storehouse	16,000	136	+4
BAA	2,200	465	-2	General Elect.	3,600	181½	-1½	Northumbrian Water	1,200	242	+4	Sun Alliance	1,900	321	-6
BAT Inds.	395	616	-2	Glaxo	1,500	825	-5	Pearson	258	745	-6	Sun Life	60	1168	-7
BET	3,100	281	-6	Glynwed Int.	165	273	-6	P & O	1,000	641	-1	T&N	80	176	-1
BICC	753	434	-1	Granada	786	223	+3	Pilkington	1,500	201	+2	TI Group	433	538	+2
BOC	2,000	573	-12	Grand Met.	1,700	637	-7	Polly Peck Intl	517	450	-4	TSB	3,500	142	+1
BPB Inds.	720	222	+3	GUS A	71	1033	-8	Prudential	1,700	240		Tarmac	5,100	286	+1
BTR	3,200	405	-4	GRE	4,000	222	-1	RHM	548	330	-5	Tate & Lyle	1,000	289	-3
Barclays	3,700	402	-5	GKN	1,500	402	+1	RMC	251	683	+6	Taylor Woodrow	418	274	+2
Bass	487	1119	+2	Guinness	1,000	801	-2	RTZ	1,300	555	-1	Tesco	1,900	236	-1
Beazer	148	165	+1	Hammerson 'A'	2,800	700	-2	Racal	2,100	194	-5	Thames Water	3,400	234½	+2½
Berisford Int.	658	54	-2	Hanson	3,400	233½	-2	Racal Telecom	186	338	+1	THORN EMI	872	708	-10
Blue Circle	1,000	237½	-½	Hanson Warrants	342	59	-1	Rank Org.	507	768	-10	Trafalgar House	2,000	291	+1
Boots	3,300	298	+3	Harrisons Crosfield	435	169		Reckitt & Colman	284	1313	-8	Trusthouse Forte	1,300	300	+½
Brit. Aerospace	728	546	+4	Hawker Sidd.	1,300	563	+4	Redland	553	631	+2	Ultramar	1,400	338	-11
British Airways	1,200	206		Hillsdown	698	285	-5	Reed Int.	997	422		Unigate	561	319	+1
British Gas	3,500	220½		IMI	647	255		Reuters	1,500	1052	-11	Unilever	790	700	-3
British Land	110	310	-2	ICI	7,600	1040	-65	Rolls Royce	2,400	216	+2	United Biscuits	314	351	+1
BP	5,400	338½	-4½	Inchcape	39	272	-2	Rothmans	73	824	-8	Utd Newspapers	478	355	-3
British Steel	9,000	140	-1½	Kingfisher	725	358	-1	Ryl Bk Scotland	658	170		Water Package Uts.	3	£2325	+32
British Telecom	4,000	289½	-3½	Ladbroke	1,800	324	-2	Royal Insurance	982	475	-8	Wellcome	588	587	
Bunzl	353	81	-1	Land Securities	517	523½	-3½	STC	4,000	288	+3	Welsh Water	442	252	+5
Burmah Oil	487	658	-12	Laporte	207	584	-9	Saatchi	132	78	-1	Wessex Water	614	227	
Burton	2,100	99½	-1½	Legal & General	658	418	-6	Sainsbury	722	304	-1	Whitbread 'A'	481	460	
Cable & Wire.	2,000	510	-5	Lloyds Abbey	547	348	-2	Scottish & New.	1,400	350	+3	Wiggins Teape	1,300	214	-1
Cadburys	1,600	349	-1	Lloyds Bank	1,000	298	-4	Sears	310	93½	-1½	Williams Hldgs.	414	273	-2
Calor Group	11	255		LASMO	1,400	443	-2	Sedgwick	138	227	-1	Willis Faber	1,200	238	+4
Carlton Comms.	174	425	-6	Lonrho	882	289	-1	Severn Trent Water	3,700	220	+5	Wimpey	637	242	+3
Coats Viyella	217	128	-1	Lucas	1,600	150	-1	Shell Transport	9,000	479	-9	Yorkshire Water	730	244	+3
Comm. Union	246	505	-11	MB Group	431	222	-1	Siebe	1,500	475	+5				
Cookson	942	190		MEPC	1,400	519	-3	Slough Ests	339	288					

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

ICI result shakes the market

ICI shares fell 6 per cent yesterday after the group announced a larger fall than expected in interim profits and surprised the market by not increasing the dividend.

Dealers had factored into ICI profits of £780m to £820m, compared with £914m in the same period last year. The news that profits had declined to £733m caused a steady fall throughout the session, with the shares eventually 65 lower at 1040p, having traded down to 1025p at one stage. A total of 7.6m changed hands.

The results depressed the chemicals sector, with BOC finishing 12 lower at 573p and Courtaulds down 10 at 369p.

Analysts lowered their full year profits estimates for ICI from £1.4bn to around £1.2bn. Barclays de Zoete Wedd reduced its forecast from £1.4bn to £1.26bn, while Smith New Court cut its figure to £1.15bn from £1.35bn.

Storehouse active

Turnover increased to 16m shares in Storehouse after a brokerage concern raised its profits forecast, and there were suggestions in the market that Sir Terence Conran, the former chairman, had sold the bulk of his remaining stake.

Storehouse closed 4 higher at 136p after James Capel increased its profits estimate for the current year to £39m from £29m, and to £65m from £47m for next year.

James Capel said that BHS, the largest part of the group, had achieved strong sales growth during the first four months of this year. And taking a two-year view, the strength at BHS would eventually spread to Habitat and Mothercare.

There was also talk that Sir Terence had reduced his shareholding in Storehouse from 9m to 2.5m, although his stake is now too small for that to be confirmed under the stock exchange disclosure rules. Last week Sir Terence sold 20m shares at 118½p.

Stake placed

One of the market's long-running expectations was fulfilled when Cookson Group successfully placed its 7.9 per cent stake in Johnson Matthey, the precious metals refiner. The 14m-share block was successfully placed by Credit Suisse First Boston with a range of investment institutions, 75 per cent going to UK funds and the rest to offshore investors.

The shares were placed at 272p, a discount of about 5 per cent to the overnight market price for Johnson Matthey shares, which was regarded by analysts as a reasonable discount in the present nervous state of the equity market.

After the placing, Johnson Matthey traded down to 279p for a fall of 11. Cookson rose to 195p before settling back at 190p, unchanged on the day.

Oil shares turned decisively easier as profit-takers moved in after the outstanding gains of the past few weeks. There was no news from the Opec meeting in Geneva, but specialists expected to hear today of an agreement on an upward revision in Opec's reference price from $18 a barrel to $20. Brent for September delivery fell back through the $19 a barrel mark at one point yesterday.

Shell Transport bore the brunt of the selling pressure in the majors, with the shares closing 9 off at 479p, after 477p, on turnover of 9m – at least twice normal levels.

As well as the profit-taking triggered by the easier oil price, Shell were hit by the poor figures from ICI, the chemicals group. Dealers were quick to mark down Shell, which derives considerable profits from its substantial petro-chemicals businesses. The petro-chemicals factor was one reason for Kleinwort Benson's oil team removing Shell from its buy list at the firm's morning meeting yesterday.

Kleinwort's Philip Lambert said that although KB remained "very bullish on crude prices" they had told clients to "concentrate their buying power on BP and Lasmo, with their high gearing to crude prices." Mr Lambert said that petro-chemicals were "almost as important to Shell as crude prices with 26 per cent of Shell's profits last year coming from petro-chemicals." He also pointed out that currency movements have favoured BP rather than Shell. The latter's cash holdings in dollars and guilders would have been affected by sterling's strength, while BP's net debt, he said, is all in dollars.

BP settled 4½ easier at 338½p on 5.4m. Lasmo were 2 cheaper at 443p. Burmah dipped 12 to 658p, as did Enterprise, to 675p. Ultramar lost 11 to 338p.

Exceptional activity again developed in the water issues which, although closing off the best levels, posted strong gains across the board. Much of the turnover was concentrated, dealers said, on the sector leaders, Thames and North West, both of which are Footsie constituents.

North West topped the turnover list, boosted by the chairman's optimism at Wednesday's annual meeting and a positive note on the stock issued by County NatWest, North West's broker.

County's Robert Miller-Bakewell restored the stock to County's buy list, labelling the shares "a core holding."

Mr Miller-Bakewell highlighted the North West chairman's comment that the company's performance in the first quarter "compares favourably with last year." County expects "a 12 per cent uplift in pre-tax profits" to £200m for the current year. Mr Miller-Bakewell added that North West's key strengths are its experience in managing the largest capital programme in the UK water industry plus a rigorous approach to achieving efficiency gains.

North West shares touched 238p before closing a net 3 higher at 236p on volume of 4.3m. The turnover figure was boosted by a cross of 1.5m shares. Thames, where 3.4m changed hands, moved up 2½ to 234½p. Also prominent were Severn Trent, which rose 5 to 220p on 3.7m. The Water Package moved up 32 to £2325.

The brewery sector continued to be hampered by negative assessments from leading investment houses. BZW cited the current weakness of public house property values as one of the main reasons for changing its long-term investment view from overweight to neutral. A similar strategy is advised by the independent brokerage firm of Teather & Greenwood, which predicts a flattish beer market this summer and a tougher climate for consumer spending as the Poll Tax starts to bite.

Shearson Lehman Hutton is especially vocal on the question of beer price inflation. "The brewers appear to be milking their businesses ahead of uncertain times in both their brewing and pub retailing divisions," said Shearson.

Although leading stocks lacked significant interest, Grand Metropolitan weakened 7 further to 637p, after 634p. The shares have been in decline since McDonald's reported disappointing earnings on Monday, in spite of assurances that the news was not necessarily bearish for GrandMet's fast-food Burger King subsidiary.

Bank shares fell back, with dealers noting several large lines of stock on offer, particularly in Barclays and NatWest, although in Barclays' case these were absorbed by a big buyer in the market. Barclays ended the session 5 off at 402p on 3.7m, while NatWest lost 4 to 333p on 4.5m.

Abbey National, which has outperformed the market by 50 per cent since August last year and which on market capitalisation has ousted Midland as the UK's fourth biggest bank, retreated 5½ to 222p on turnover of 5.7m. Abbey reports interims on Wednesday, with Dr John Wriglesworth of UBS Phillips & Drew going for pre-tax profits of £278m and an interim dividend of 3.2p. For the full year the UBS analyst has lowered his expectation from £605m to £585m - "owing to the adverse effects of the depressed state of the housing market."

News agency reports that a storm in the Caribbean is developing into a hurricane caused a flurry of selling throughout a composite insurance sector soon to reveal the full extent of the damage to profits wrought by the bad storms in Europe in January and February. Commercial Union lost 11 to 505p and General Accident the same amount to 508p, after 503p.

Asda rose 1¼ to 120½p as 9.9m shares changed hands on suggestions that various brokers had raised their forecasts. However, all the brokers concerned said they had not, but most did say that the market had begun to view Asda in a more favourable light.

STC were heavily supported, closing 3 higher at 289p, after 293p, with 4m shares traded. The group reports interim results on Monday and the market expects the figures to be accompanied by details of the long-awaited deal with Japan's Fujitsu. The latter is expected to take a majority stake of at least 60 per cent in ICL, STC's computer mainframe business. Dealers expect STC to achieve interim pre-tax profits in the region of £70m to £90m, well down on the £114.6m made last year.

More selling of Thorn EMI occurred in front of today's annual meeting, with the market bracing itself for a cautious statement on current trading. Thorn closed a further 10 down at 708p.

The reaction from this week's high point for the year in publisher EMAP continued, leaving the shares down 13 for a two-day drop of 26 to 232p. A leading investment bank denied suggestions in the market that it had downgraded the stock.

David S. Smith eased to 328p after revealing annual profits short of market expectations. Analysts' forecasts were pitched around £29m, against £33m for the previous period, but the company announced profits of £26.4m. The news immediately brought a marked divergence in estimates for the current year, which now range from £35m to £45m.

Frederick Cooper, the electrical products and security group, drifted 3 easier to 87p after forecasting a fall in profits this year from £8.7m to £4.6m. The company also announced the issue of 13.58m new shares, which will be placed with various institutions at 81p a share subject to a clawback agreement for qualifying shareholders, to finance two acquisitions.

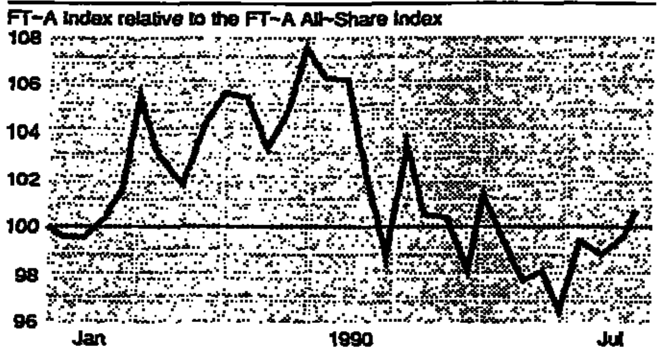
News of an agreed offer aroused heavy turnover of 13m shares in Unilock Holdings and a sharp gain in the price, up 21½ at 105p. Yule Catto is offering 106p cash for each Unilock share, with a loan stock alternative.

Slightly higher interim profits and the forecast that next year's results "should benefit as a consequence of the post-acquisition reorganisation of Hugh Mackay" failed to support Allied Textile shares, which moved down 5 to 375p.

■ Other Market statistics, including the FT-Actuaries share index, Page 26

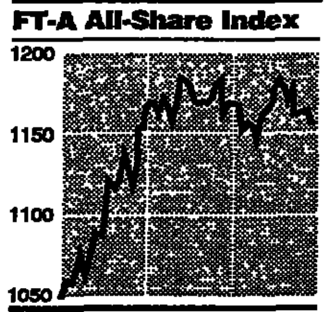
Banks

FT–A index relative to the FT–A All–Share index



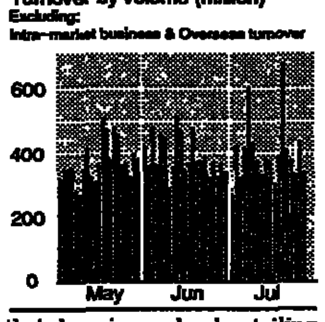
Today sees the start of the high street banks' interim reporting season, with Lloyds Bank the first to announce its half-time statement. The sector has been hit by large-scale profits downgrades, triggered by worsening bad debts, but these have been cushioned by expectations of big dividend increases.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (39).
BRITISH FUNDS (4) BUILDINGS (2) STORES (2) ELECTRICALS (2) ENGINEERING (2) FOODS (4) INDUSTRIALS (9) Airsprung, British Vita, Cape, Computer People, Goode Durrant, Hadleigh Inds., Halma, Robertson, Unilock, INSURANCE (1) LEISURE (2) PAPERS (2) TRANSPORT (2) TRUSTS (5) OVERSEAS TRADERS (1) THIRD MARKET (1).
NEW LOWS (67).
AMERICANS (7) CANADIANS (1) BANKS (2) BUILDINGS (3) STORES (1) ELECTRICALS (3) ENGINEERING (1) FOODS (2) INDUSTRIALS (16) AAF Inv., Aukett Assocs., British Fittings, CH Inds., Co. of Designers, Corton Beach, Cowan de Groot, Dobson Park, Erskine House, Ibex, Lincat, Lincoln House, Medeva, Scottish Heritable Trust, Somic, West Inds., INSURANCE (2) LEISURE (1) NEWSPAPERS (2) PAPERS (4) PROPERTY (5) SOUTH AFRICANS (1) TEXTILES (1) TRUSTS (8) MINES (3) THIRD MARKET (4).

APPOINTMENTS

Midshires top post

BIRMINGHAM MIDSHIRES BUILDING SOCIETY has appointed Mr Michael Jackson *(pictured)* as group chief executive from September 3. He will succeed Mr David McDonald who is due to retire later this year. Mr Jackson was senior vice president and head of operations for Europe, Middle East and Africa at Bank of America, London.

■ Mr David Hall has been appointed engineering director, and Mr Michael Bidston, company secretary, becomes finance director of CHESTER WATERWORKS COMPANY. Mr Brian Hopper retires as general manager on September 1, when he will be succeeded by Mr Hall. Mr Hopper retires from the board at the end of the year. Mr Barry Bate, a director since 1980, has retired.

■ MERCURY FUND MANAGERS has appointed Mrs Susan Wood as manager of the American Growth Fund and the American Smaller Companies Fund. She was a director of Baring Investment Management.

■ PERRY GROUP has appointed Mr Colin Staffell as group property manager.

■ BAIN CLARKSON is forming Bain Clarkson Reinsurance Brokers. Chairman of the new company will Mr D.M. Berlland; deputy chairman Mr P.K. King; and joint managing directors Mr N. Fenner-Fownes and Mr J.D. McNamara.

■ Mr Dick Foy *(pictured)* has been appointed finance director, UNITEL PERSONAL COMMUNICATIONS. He was finance director at STC Telecommunications. Mr Jim Morrison becomes human resources director. He was with Thorn-EMI. Mr John Gaffney has been made information technology director. He was with Thorn-EMI. Unitel is to offer a national telecommunications network in the UK. It is a consortium venture backed by STC, US West, Thorn-EMI, and Deutsche Bundespost Telekom.

■ Mr Philip Watson of Bally Shoes has been re-elected chairman, and Mrs Paula Rigby of Penhaligons elected vice chairman of the BOND STREET ASSOCIATION.

■ TEREDO PETROLEUM has appointed Mr Peter Simonis *(pictured)* as a non-executive director from August 1. On September 1 he will take over the chairmanship from Mr John Cornish who is retiring. Mr Simonis is a director of The Morgan Crucible Company, Haden MacLellan Holdings, and Whessoe. He is also on the board of Rowan Companies Inc and chairman of its UK subsidiary British American Offshore. Previously he was a director of The Burmah Oil Company, and Carless.

■ EFT GROUP, Edinburgh, has appointed Mr John A. Wight as a director. He was credit and risk director of EFT Finance, the asset finance division, and will retain this responsibility.

■ Mr John Wood, administration director of PRIMESIGHT, has additionally been appointed responsible for production. His responsibility for operations has been passed to Mr David Batten who becomes operations director.

■ Mr Brian Gregory has become head of management accounting in GUARDIAN ROYAL EXCHANGE's corporate head office finance division. He was financial controller, equity securities operation, County NatWest.

■ EFG, Oxford, a garden products and forestry group, has promoted Mr Alan Joynes to managing director operations, and Mr Robert Shaw to managing director finance.

■ SECURITAS TECHNOLOGY, Tewkesbury, a division of System 4 International, has promoted Mr John Deadman from sales director to managing director. He succeeds Dr Tam Hulusi, who becomes chairman.

■ Mr W.B. Dunn, on the board since 1983, has been appointed non-executive deputy chairman of ILLINGWORTH MORRIS.

■ Sir Christopher Benson has become chairman of THE BOOTS COMPANY following the retirement of Mr Robert Gunn. Sir Christopher was made chairman designate last January, and has been on the board since 1989. He is chairman of MEPC, of the Housing Corporation, and of Reedpack, and a director, Sun Alliance & London Insurance.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
98⅞	96⅛	Treas. 10pcCv 1990	98⅞		10.12	14.06
97¼	93¾	Exch 2½pc 1990	97¼		2.57	11.23
98¾	97¼	Treas 11¾pc 1991	98¾		11.90	14.41
95⅞	92⅞	Funding 5¾pc '87-91‡‡	95⅞	+⅛	6.00	12.33
94⅞	89⅝	Treas. 3pc 1991	94⅞	+⅛	3.19	10.99
97⅞	94⅝	Treas 10pc Cv '91 ‡‡	97⅞		10.27	13.02
97⅞	94⅝	Exch. 11pc 1991	97⅞		11.30	13.30
93⅞	90⅞	Treas. 8pc 1991	93⅞		8.53	13.04
101⅛	97⅛	Treas 12¾pc 1992‡‡	99⅞		12.79	12.97
96	92¾	Treas 10pc 1992	95⅞xd		10.43	13.00
92⅞	89⅝	Treas. 8pc 1992 ‡‡	92⅝		8.64	12.87
97⅞	93¾	Treas 10¼pc Cv 1992‡‡	96⅞		10.91	12.88
87⅞	82⅞	Treas. 3pc 1992	87⅛		3.44	10.50
100⅞	95⅞	Exch. 12¼pc '92	99⅞		12.37	12.85
104	98⅞	Exch 13½pc 1992	101⅛		13.33	12.71
91½	86¾	Treas 8¼pc 1993	91⅛		9.07	12.42
96⅞	90⅞	Treas 10pc 1993‡‡	94⅞	+⅛	10.58	12.43
103⅛	96⅞	Treas 12½pc 1993‡‡	100⅞	+⅛	12.45	12.35
86⅛	82	Funding 6pc 1993‡‡	86	+⅛	6.98	11.38
107⅞	99⅞	Treas 13¾pc 1993‡‡	103⅞		13.24	12.27
91	84⅞	Treas. 8½pc 1994	89⅞xd		9.51	12.30
111⅛	102⅞	Treas 14½pc 1994‡‡	106⅞xd	+⅛	13.57	12.06
107⅛	99⅞	Exch 13½pc 1994	103⅝		13.03	12.22
96⅞	88⅞	Treas. 10pc Ln. 1994‡‡	93⅞		10.67	12.06
104½	96⅞	Exch. 12½pc 1994	101xd		12.38	12.18
92½	85	Treas 9pc 1994‡‡	89⅞	+⅛	10.01	12.08

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
103⅞	94⅞	Treas 12pc 1995	99⅝		12.05	12.06
81	73	Exch 3pc Gas 90-95	80⅞		3.74	7.67
96⅞	88⅞	Exch. 10¼pc 1995	93⅞	+⅛	10.97	12.01
108	97⅞	Treas 12¾pc 1995‡‡	103⅞		12.34	11.86
112⅞	101¾	Treas. 14pc '96	107⅞		13.08	12.14
92¼	82⅞	Treas. 9pc 1992-96‡‡	88⅞	+⅛	10.19	11.83
119⅞	107⅞	Treas 15¼pc 1996‡‡	112⅞		13.50	11.98
110⅞	99⅞	Exch 13¼pc 1996‡‡	104⅞		12.63	12.01
96⅞	85½	Conversion 10pc 1996	91½	+⅛	10.93	11.94
112⅞	98⅞	Treas 13¼pc 1997‡‡	105⅞	+⅛	12.60	12.06

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock (b)	Price £	+ or -	(1)	(2)
118⅛	110¾	Tr. 2pc '92‡‡(97.8)	118⅛	+⅛	4.35	6.02
108¾	103¼	Do. 2 '94(102.9)	108¾	+⅛	3.96	4.67
159⅞	150⅝	Do. 2pc '96(67.9)	158⅞	+⅛	3.86	4.32
131⅛	123½	Do 2½pc '01(78.3)	129	+⅛	4.28	4.57
128⅛	119⅞	Do. 2½pc '03(78.8)	125⅞	+⅛	4.31	4.56
131⅞	122	Do. 2pc '06(69.5)	127⅞	+⅛	4.28	4.48
123⅞	113⅞	Do. 2½pc '09(78.8)	118⅞	+⅛	4.22	4.41
128⅞	117¾	Do. 2½pc '11(74.6)	123⅞xd	+⅛	4.18	4.36
107⅞	97⅞	Do. 2½pc '13(89.2)	102⅞xd	+⅛	4.12	4.28
115¾	105⅞	Do. 2½pc '16(81.6)	110⅞	+⅛	4.06	4.21
119⅞	102¾	Do. 2½pc '20(83.0)	107⅞	+⅛	4.00	4.14
95¼	86⅞	Do. 2½pc '24‡‡(97.7)	90⅞	+⅛	3.92	4.05

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1989: 118.5 and for June 1990: 126.7.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100⅝	84⅞	African Dv Bk 11¼pc Ln 2010	92⅞	+⅛	12.04	12.14
96⅞	80⅞	Asian Dev Bk 10¼pc Ln 2009	87⅞	+⅛	11.66	11.86
110⅞	94⅞	Int-Am Dev Bk 12½pc 2003	101⅞	+⅛	12.33	12.27
91⅞	76⅞	Do. 9¾pc Ln 2015	82⅞	+⅛	11.76	11.90
90½	79⅞	Mlysia 10¾pc Ln 2009	85½xd		12.57	12.80
110	109	Utd. Mexican States 16½pc 2008	109		15.14	14.90

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104	86½	Birmingham 11½pc 2012	94½		12.17	12.20
90½	84½	GLC 6¾pc 1990-92	90½xd		7.46	12.25
107½	95	Leeds 13½pc 2006	106½xd		12.68	12.63
93	20	Liverpool 3½pc Irred	30xd		11.67	-
30	24	LCC 3pc '20 Aft	27xd		11.11	-
94½	85½	Manchester 11½pc 2007	92½xd		12.43	12.60

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
21⅞	10⅞	Chase Manhattan $12½	18⅞xd	+⅛	$2.48	-	12.9
19¾	13	Chem. Banking Corpn	13¼	+⅛	$2.72	-	11.6
12½	8¾	Chrysler $6¼	8⅝xd	-⅛	$1.20	-	7.9
18¾	11¼	Citicorp $1	11⅞xd	+⅛	$1.78	-	8.7
40⅞	31⅝	Colgate-Palmolive $1	39⅞		$1.80	-	2.6
12¼	712p	Cont'l Bank Corp $4	726p	+14	$1.00	-	7.8
268p	128p	Corporate Data Scnce	211p				-
22⅛	18⅛	Dana Corp. $1	20⅞	-⅛	$1.60	-	4.5
768p	491p	Data General	491p	-21			-
29⅞	24⅞	Dun & Bradstreet $1	24⅞	-⅛	$2.12	-	4.9
37⅞	29⅞	Eaton Corpn. 50c	34⅞	+⅛	$2.20	-	3.6
10⅞	7⅛	Echlin Inc	7⅞		70c	-	5.6
22⅛	16⅛	FPL Group 1c	16⅞xd	+⅛	02.36	-	8.2
29⅛	21⅞	Fluor Corp 62½c	25	+⅛	24c	-	0.5
30⅞	23⅞	Ford Motor $1	23⅞xd	-⅛	$3.00	-	7.3
41⅞	36⅞	Gen. Elect. 63c	40⅞	+⅛	$1.88	-	2.6
441p	304p	General Host Corp $1	353p	+14	32c	-	5.1
35⅞	25⅞	Gillette $1	35⅞	+⅞	$1.08	-	1.7
315p	89p	Gt American Bank Bk $1	104p	+7	20c	-	10.9
20⅛	15	Greyhound Dial $1½	16⅛xd	+⅛	$1.32	-	4.6
12⅞	919p	Hasbro Inc 50c	954p	+27	20c	-	1.2
60⅞	46⅛	Honeywell $1½	57⅛	+⅛	$2.75	-	2.7
21⅞	17⅛	Houston Inds.	18⅛	+⅛	$2.96	-	9.2
74	57⅞	IBM Corpn $1¼	63⅞xd		$4.84	-	4.3
50p	18p	Image Storage/R.Sys. 1c	18p				-
35⅛	27⅞	Ingersoll-Rand $2	30⅛xd	+⅛	$1.20	-	2.3
25⅛	14⅞	Lockheed Crpn. $1	14⅞xd	-1½	$1.80	-	7.0
11⅛	7⅛	Lone Star Inds $1	7⅞xd		$1.90	-	14.5
28	23⅞	Louisiana Land 15c	24⅞xd	+⅛	$1.00	-	2.3
29	15⅛	Lowe's 50c	20	+⅛	52c	-	1.5
22⅞	16⅛	Manuf. Hanover $1	17⅛	+⅛	$3.28	-	10.8
16⅛	12⅛	Merrill Lynch $1	13⅛	-⅛	$1.00	-	4.3
28⅛	21⅛	Molex Inc	24⅞xd	-⅛	4c	-	0.1
27⅛	19⅞	Morgan (JP) $2½	20⅞xd	+⅛	$1.82	-	5.0
28⅛	21⅛	Morris (Philip)	27⅞xd	-⅛	$1.38	-	2.9
56⅛	41⅛	NYNEX $1	41⅛		$4.56	-	6.2
19p	5p	N'wide Legal Serv.	5p				-
21⅛	18⅛	PHH Corp	18⅞	-⅛	$1.20	-	3.7
195p	155p	Pacific Agr.	165p				-
14⅞	10⅛	Pacificorp $3¼	11⅛		$2.88	-	14.7
31⅞	22⅞	Pacific Telesis 10c	23		$2.02	-	5.0
22⅞	18⅛	Pall Corp. 25c	18⅛		56c	-	1.7
55⅛	40⅞	Pennzoil $3 1/3c	44⅞xd		$3.00	-	3.8
35⅞	25⅞	Quaker Oats $5	26⅛xd		$1.40	-	3.0
32⅞	25⅞	Rep NY Corpn $5	27⅞xd	+⅛	$1.32	-	2.7
16⅞	12⅞	Rockwell Intl. $1	14⅞xd		78c	-	3.0
25⅞	18⅛	Sears, Roebuck 75c	18⅞xd	-⅛	$2.00	-	6.2
40⅛	28⅞	Southwestern Bell $1	28⅞xd	-⅛	$2.76	-	5.4
25⅛	20⅛	Sun Co. Inc. $1	20⅞xd	-⅛	$1.80	-	4.9
31⅛	23⅞	TRW Inc. 62½c	23⅞xd	-⅛	$1.72	-	4.1
42⅞	35⅞	Tenneco $5	36⅛	-⅛	$3.04	-	4.8
37⅛	31	Texaco $6.25	34⅛xd	-⅛	$3.00	-	4.9
25⅞	18⅛	Texas Instr. $1	18⅞xd	-⅛	72c	-	2.2
81⅞	51⅛	Time Warner $1	51⅞xd	-⅛	$1.00	-	1.1
18⅛	13⅛	TRINOVA Corp	14⅞xd		56c	-	2.7
22⅞	18⅛	USX $1	19⅛xd	+⅛	$1.40	-	4.2

CANADIANS

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	227	–2	44c	1.4	8.8	8.1
229	172	Abbey National 10p.	222	–5½	5.7	4.3	3.4	9.0
°274	210	Allied Irish Ord	213	–6	Q40%	3.3	4.4	9.2
£13⅛	£10⅞	Algemene Fl.10	£11	+⅛	Q28%	2.1	7.6	6.2
85	63	Anglo Irish	70	......	Q18.7%	2.7	6.3	9.6
93	68	Ansbacher (H.) 1p	88	......	2.5	1.3	3.8	25.3
£71½	£54⅛	Bancaire Cie Fr100	£58½	+¾	Q12½%	–	2.2	–
£22½	£16⅝	Banco Bilbao Viz	£19½	......	Q49.1%	2.7	4.3	12.6
£31	£24⅛	Banco de Santander	£29	......	Q25%	2.4	3.8	10.8
286	214	Bank Ireland Ir£1	222	–2	Q14.7%	2.9	6.2	7.4
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
350	320	Bank Leumi (U.K.)	350	......	†15.0	–	5.8	–
125	104	Bank Scotland	117	......	4.55	3.3	5.2	7.8
100¼	83¼	Do. 9¼pc Irrd Pf	97	+½	9¼%	–	12.7	–
54	39	Bank of Wales	47	–5	2.8	0.8	7.9	(22.6)
428	352	Barclays £1	402xr	–5	h19.57	3.5	6.5	5.6
22	12	Benchmark 20p	14	......	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	313	+2	12.0	2.2	5.1	10.1
°435	341	Cater Allen £1	364	......	N24.5	–	9.0	–
179	112	Chancery	114	......	9.0	2.7	10.5	4.6
£23¼	£18¾	Commerzbk DM10	£20½	+¾	Q18%	–	3.0	–
£13⅛	836	Dai Ichi KBk Y50	836	–28	Q17%	♦	0.4	♦
°£313½	£261	Deutsche Bk DM50	£278½	+1½	Q28%	–	1.7	–
£20⅞	£18⅛	Espirito Santo	£18½	......	Q75c	5.1	2.4	–
253	183	First Nat. Fin. 10p	203	......	13.0	2.1	8.5	7.0
121	96	FNFC 6.3pc Cv. Pf	101	–1	6.3%	–	8.3	–
£13⅛	890	Fuji Bank Y50	893	–14	Q17%	♦	0.4	♦
325	262	Gerrard & National	296	+1	19.0	–	8.6	–
154	122	Guinness Mahon 10p	122	......	2.1	–	2.3	–
328	223	Hambros 20p	254	–4	11.5	–	6.0	–
[illegible]								

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES – Contd

Components

1990 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	420	Abbey Panels		463	...	3.5	10.8	1.0	12.0
[illegible]	115	Airflow Streamlines	y	198	..	6.5	3.4	4.2	8.1
190	145	Bostrom 5p	y	180		5.75	3.1	4.3	8.2
264	191	Dowty 50p	β	210xd	–3	9.0	♦	5.7	♦
239	143	FR Group	β	143	.....	6.37	3.2	5.9	6.8
135	[illegible]	[illegible] Hldgs. 10p	β	69	...	2.4	1.7	4.6	17.3
17[illegible]	142	[illegible]		150	–1	10.25	3.0	5.6	6.8

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MINES – Contd

THIRD MARKET

1990 High	Low	Stock		Price	+ or –	Div Net	C'vr	Gr's	P/E
60	30	Rentaminster 5p	y	33	......	‡a1.85	2.8	‡	6.5
14	11	Scott Pickford 10p	y	13xd	......	0.43	♦	4.4	♦
38	11	Sempernova	y	16	......	–	–	–	3.5
36	24	Sleepy Kids 5p	y	28	......	–	–	–	–
2¼	1½	Swanyard Studios 1p	y	1½	......	–	–	–	–
3½	1¼	Systems Connections	y	2¼	......	–	–	–	–
94	58	Tomorrows Leisure 20p	y	58	......	–	–	–	22.1
55	27	UPL Group 10p	y	27	......	–	–	–	–
183	128	Unit Group	y	183	+2	5.0	♦	3.6	♦
89	53	Video Magic Leis. 1p	y	53	–2	W2.0	0.7	5.0	42.5
6¼	3¼	Vista Ents 5p	y	3¼	–¼	–	–	–	–
18	13	Vizcaya Hldgs 5p	y	13	......	–	–	–	–
5½	3¼	Wilton Group 1p	y	3¼	......	–	–	–	♦

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- f Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989 K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	y	838	......
Finlay Pkg. 5p	y	51	......
Holt (Jos) 25p	y	1310	......

IRISH

Cap 8½% Ln 1991	£98¾	......
9% Cap Ln. 1996	£96	......
Fin. 13% 97/02	£113½	...
Arnotts	200	......
Carrol (P.J.) y	122	–3
Hall (R. & H.)	165	......
Heiton Hldgs. y	72	–4
IRG	200	......
United Drug	155	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	46½
GEC	18
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	59
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property	
Brit Land	32
Control Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Aviva Petlm	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	18
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines	
Lonrho	21
RTZ	50

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	49.26	49.76	52.93	+0.25	5.18
Gilts & Fixed Int	6	105.1	105.1xd	111.6	-0.2	9.86
High Inc Equity	6	135 4	139 1xd	147 9	+3.0	4.29
Worldwide Bond	6	185.8	185.8	197 1	+0.2	6.54
Capital Growth						
American Growth	6	178.0	178.0	190.3	+0.9	1.22
Asian Pacific	6	146.2	149.3	158 8	-0.8	0 00
Assets & Earnings	6	158.6	162.4	172.7	-0.5	2.81
Capital Reserve Acc	0	93.53	93.53	93.73	-0.05	7.62
Capital Reserve Inc	0	78 62	78.62	78 77	-0.05	7.62
Comdty & Energy	6	91.18	93 45	99 41	+0.67	0 00
1992 Enterprise	6	63 43	64 75	68.88	-0.04	1.95
Euro Capital Acc	6	104 5	105 8	112.5	-0.2	0 88
Euro Capital Inc	6	100.3	101.6	108 0	-0.2	0 88
General	6	179 4	183 1	194.7	-0.3	2.57
Japan	6	98.31	98.31	105 1	-1.4	0.00
Mastertrust	6	89.49	89.49	95.71	-0.71	1.55
UK Growth Acc	6	176.1	183 9	195.6	-0.3	2.54
UK Growth Dist	6	115.1	120.1	127 7	-0.2	2.54
US Emerging Cos	6	56 15	56.15	60 05	+0 05	0.00
Income & Growth	6	304.1	311.2	331.0	-0 7	3 10
Ethical	6	48.25	49.41xd	52.56	-0.03	1.90
International	6	60 90	61 66	65.59	-0.26	0.76
Dividend & Growth	6	47.38	48.42xd	51.51	.....	4.37

Abtrust Management Ltd (1200)H

10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	30 75	30 85	32.93	+0 10	2.40
European	5¼	91.88	92.14	98.36	+0.35	0.00
European Income	5¼	88.52	88 67xd	94.66	+0.05	1.38
Exempt	1	751 6	751 6xd	777.2	+0.1	3.22
Exempt Income	3¼	175.3	175 3xd	185.6	-1.2	4 66
Exempt American	3¼	371.8	371.8	389 4	+2.7	1.46
Exempt Pacific	3¼	259.2	259.2xd	271.4	-1.8	0 00
Extra Income	5¼	42.69	42 69xd	45.57	-0.14	5.57
Far East Emerg Econs	5¼	63 16	63 94xd	68.06	-0 17	0 00
Fund Inv Tst	5	129 4	134 6	143 7	-0 1	1.29
Fund Inv Tst Acc	5	204 5	212.8	227 1		1.29
Gilt & Fixed Int	5¼	16.34	16.79xd	17.92	+0.06	13.66
Intl Income	5¼	61 88	61.88xd	66.05	-0 14	4.43
Japan	5¼	165 4	165 4	175 9	-2 6	0.00
Pacific	5¼	42 33	42.39	45 40	-0.26	0 00
Smaller Companies	5¼	50 92	50 92	54.35	+0.06	1.82
Special Situations	5¼	63 62	63.62	67.92	-0.06	0.60
UK Growth	5¼	37 17	37.68	40.23	-0.10	1.61
World Growth	5¼	55.35	55.35	59.09	-0 11	0.00

Brown Shipley & Co Ltd – Contd.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Recovery	6	42.47	42.47	45.23	-0.15	0.69
Smaller Cos Acc	6	246 6	250.9	267.3	+0.50	–
Smaller Cos Inc	6	151 1	153.7	163.7	+0.30	1.04

Brycourt Unit Tst Mgmt Ltd (1400)F

Hesketh Hse. Portman Sq. W1H 0JR 071-935 6382

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	189.9	189 9	196 8	....	5.69

Buckmaster Mangmt Co Ltd (1200)H

15 St Botolph Street, London EC3A 7JJ 071-247 4542

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5¼	60.44	60.44	64.07	....	3.50
(Accum Units)	5¼	63 44	63.44	67 25	.....	3.50
Fellowship Tst	5¼	62 92	63.53	67.59	.....	2.78
(Accum Units)	5¼	65 78	66.42	70.66	....	2.78
General Inc	5¼	293.4	297.4	316.4	.....	3.57
(Accum Units)	5¼	510.8	517.6	550.7	.....	3.57
Income	5¼	160.6	163 1	173.5	....	3 87
(Accum Units)	5¼	326.0	331.0	352.1	.....	3.87
International	5¼	100.6	100.6	106 6	.....	1.00
(Accum Units)	5¼	139 1	139.1	147.5	....	1.00
Smaller Co's	5¼	103.2	104.9	111.7	.....	2.31
(Accum Units)	5¼	115.6	117.5	125 1	....	2.31
Inv Portfolio	3	56.22	56.22	58.19	....	2.48
(Accum Units)	3	58 94	58.94	61.00	.....	2.48
High Income Port	3	47.44	48.35	50.10	....	4.76

Burrage Unit Tst Mangmt Ltd (0905)F

117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	57.24	57.24	58.10	....	6.83

CCF Foster Braithwaite UT Mngt (1100)F

1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CCF Sel High Inc Eqty	5½	47 81	48.59xd	51.70	-0.13	5.98
CCF Sel High Inc Eq Acc	5½	48.89	49.69xd	52.87	-0.13	5.98
CCF Sel Intl Gwth	5½	46.66	46.66	50.24	-1.42	0 00
CCF Sel Inv Tst	5½	48.57	49.97	53.16	-0.04	1.96
CCF Sel UK Sm Co's	5½	47 86	49.15	52.29	-0.04	2.23
CCF Sel UK Smllr Cos Acc	5½	48.22	49.52xd	52.69	-0.04	2.23

CCL Unit Trusts Ltd (1400)F

74 Shepherds Bush Green, W12 8SD 081-740 7070

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	55.83	57.00	60.64	-0.20	2.86
Global Tst	5½	45 62	46.14	49.08	-0 10	0.35
Recovery Tst	5½	48.22	49.42	52.57	-0.20	1.92

CIBC Unit Tst Managers plc (1200)H

Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 071 234 6000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	120.0	121.3	128.0	-0.70	4.82

CIS Unit Managers Ltd (1000)F

PO Box 105, Manchester M60 0AH 061 837 5060

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Environ	6	94.27	96 63	102.8	+0.2	2.70
UK Growth	6	106 6	108.3	115.3	-0.4	2.38
UK Income	6	102.9	104.8	111.5	-0.2	5.74

CS Fund Managers Limited (1000)H

125 High Holborn, London WC1V 6PY 071-242 1148

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	58.31	58.31	62.03	+0.18	0.96
CS International	5	57.11	57.11	60 75	-0.06	1.38
CS Japan	5	132.7	132.7	140 8	-2.2	0.66
CS Portfolio Inv	5	71.78	71.78	76.36	-0.19	2.59

Premium Life Unit Tst Mngrs Ltd (1400)F

37 Perrymount Rd, Haywards Heath 0444 458721

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Monthly Income	6	47 06	48.66	51.57	+0.01	4.74

Principal Unit Trust Mngmt Ltd (1600)F

16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Principal Tst	5¼	98 09	100.06	106.45	(z)	3.50

Prolific Unit Tst Mngrs Ltd (1100)F

222 Bishopsgate, London EC2 071-247 7544/7

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Income	5	58.02	58.02xd	61.72	-0.51	4.54
Conv & Gilt	5	110.0	113 7	121.0	+3 9	7.79
Euro Gwth & Inc	5	62.59	62.59xd	66 72	+0.08	1.29

Scimitar Unit Tst Mngrs Ltd (1200)F

22 Billiter Street, EC3A 2BE 071-702 9974/5/6

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Gwth Acc	5½	43.24	43.24	45 83	+0.53	0 19
Do Income	5½	42.78	42 78xd	45.34	+0.52	0.19
European Acc	5½	34.54	34.54	36 61	+0.36	0 11
Do Income	5½	33 90	33 90	35 93	+0.23	0.11
UK Eqty Inc Acc	5½	43 51	43.51	46.12	-0.17	6.18
Do Income	5½	37 09	37.09	39.31	+0.14	6.18
UK Cap Gwth Acc	5½	28 26	28.26	29.95	-0.10	0.75
Pac Basin Acc	5½	39.24	39.24	41.59	-0.39	0 10
Mngd Exempt Acc	3	183.95	189 60	197.50	+0.C	2.00
Do Income	3	180.35	185.79	193.53	+0.41	2.00

Pilgrim Unit Trust Mngmt Ltd (0830)F

39 Pilgrim Street, Newcastle upon Tyne NE1 6RQ

Administration & Dealing:

Unit Trust Accounting & Management Ltd

1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	6	45.05	45.55	48.46	+0.25	0 405
European	6	46.95	47.09	50.10	+0.14	0.00
Global	6	46.20	46.59	49.57	+0.16	0.48
Pacific	6	46.45	46.74	49.73	+0.25	0.00
UK Income & Growth	6	46.50	46.85	49.85	+0.06	0.4

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Small Co s July 4	756 9	804 9	-	4 45
Do Accum	830 9	883 5	-	4 45
Int Eqty July 24	182 5	189 5	−1 7	2 5
UK Index July 4	1122	1144	...	4 45
Do Accum	1171	1193	..	4.3
Convertible July 23	91 39	93 6	..	7 9
World ex UK Index July 23	785 5	796 1	..	1.84
Do Accum	785 5	796 1	..	1 84
Japan Index July 23	642.9	652 5	..	0 4
Do Accum	644 2	653 5	..	0 4
USA Index July 23	879 4	889 1	—	3 2
Do Accum	892 6	898 3		3 2
European UK Index July 23	998.0	1022	...	2 3
Do Accum	1014	1038	...	2 3
Pacific ex Japan Index July 23	932 2	958 1		4 6
Do Accum	951 7	978.0		4 6
Managed Exempt July 26	98 65	100 2	−0 6	4 6

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
NC Managed	58 7	62 5	−0.2	3 81
NC Property	179.5	190.5		—

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Intl Exempt Accum	146 4	148 0	.	3 24

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Savers PPP June 20	1266 5	280 6		0.00

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Exempt July 16	107 33	112 18		3 69
(Accum Units)	109 15	114.04	..	3 69

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
TR Exempt European	1275	1290	+1	2.07
TR Exempt Nth Amer	926	940	−11	3 45
TR Exempt Pac Basin	932	946	−34	1 34

Three Counties Asset Mngmt Ltd (1430)F

Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Balanced Portfolio	6	94.85	96 77	102.95	−0.45	4.00
Cash Deposits ♥	..	100.22	100 22	100 22	+0 04	14 00

Timberlake Trust Mngrs Ltd (0900)F

1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Portfolio	2	99.07	99 07	100.62	−0.22	2 02

Touche Remnant Unit Tst Mngt Ltd (1600)F

Mermaid Hse, 2 Puddle Dock EC4V 3AT 071-248 1250

4 Hourly Pricing – 12 Noon Historic

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
TR American Grth	5¼	45.56	45 56	48.99	+0 24	0

INSURANCES

AA Friendly Society

Barclays Life Assur. Co Ltd

252 Romford Road, London E7

	Bid Price
Barclaybond	461.4
Managed Accum	386 6
Equity Accum	599 4
Property Accum	298 0
International Accum	302 1
Gilt-edged Accum	235.1
Money Accum	225 7
American Accum	174 1
Australia Accum	159 1
Financial Accum	251 2
"500" Accum	320 1
European Grwth Accum	203 3
Income Accum	367.2
Japan & Gen Accum	378.6
Leisure Accum	210 3
Spec Sits Fd Accum	153 0
Universal Tec Accum	121 9
Smaller Co s Accum	113 9
Do Initial	104.3
Managed Pen Accum	576 8
Equity Pen Accum	238 8
Initial Pen Accum	164 6
Gilt-edged Pen Accum	377 9
Money Pen Accum	378 7
Property Pen Accum	172.9
"500" Pens Accum	102 3
Income Pens Accum	115 6
Smaller Cos Pens Accum	102 7
Special Sits Pens Accum	94.1
Financial Pens Accum	95 0
Leisure Pens Accum	101.9
America Pens Accum	102 6
Australia Pens Accum	93 6
European Grth Pens Accum	158.3
Japan & Gen Pens Accum	87 4
Universal Tech Pens Accum	106 2
Pens Deposit Accum	

For prices of Initial Units phone

Black Horse Life Ass. Co Ltd

Mountbatten Hse, Chatham, Kent.

Life Funds

	Bid Price
Managed Invest Fd	341 37
Income Fund	564 93
Extra Income Fd	491 66

Continued on next page

FT MANAGED FUNDS SERVICE

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Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Providence Capital Life Ass. Co Ltd

Providence Capital Life Assc. Co Ltd - Contd.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd - Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group-Contd.

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Western Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Aetna Int'l Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Finance International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

NM Life Assurance Int Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

The Analysis Group PLC

Bryan Wells & Partners Ltd

James Campbell & Sons Financial Services

Chase de Vere PLC

Clifton Financial Mgmt Ltd

Drummond Moores Plc

Edinburgh Money Management Ltd

Fairmount Gilt Bulls Ltd

Fairbairn Fund Managers Ltd

Minster Hill (G. & P) Ltd

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Marsh Financial Management PLC

Northern Rings & Partners

Peter & Co PLC

Rutland Inv Mgt & Inv Svcs

Sharp (Albert E) & Co.

Stitals Fund Managers Limited

South Yorks Investment Management

Towry Law & Co

J. D. Ward Financial Services Ltd

Westcourt Asset Management Ltd

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G Island Fund

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

	Bid Price	Offer Price	+ or -	Yield Gross
Baring Int Fund Managers Guernsey Ltd				
Mega Portfolio (Stlg)	£12.73	12.47		-
Mega Portfolio (Sulg)	£4.74	5.03		-
Baring Currency Fund Ltd				
US Dollar	$14.25			-
Sterling	£17.16		+0.01	-
Deutschemark	DM37.33		+0.01	-
Japanese Yen	Y3 732			-
Managed	$38.01	39.91	-0.06	-
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DKr1194	1199		-
Dumenil Asset Management (Guernsey) Ltd				
Dumenil Enterprise Fund Ltd				
PCFC Selection Gwth Fd	£1.2171	1.2858		-
Fleart-Conseil Fund Mngrs (Guernsey) Ltd				
Hauteville C & B Fd.	SFr8.65	8.70		1.37
John Govett Magnet International Ltd				
Govett Int'l Mixed	[illegible]		+0.03	-
Govett High Inc Gilt	10.3439	0.3442	[illegible]	14.20
Govett Far East Inc	$1.163	1.243	-0.006	-
Energy & Resources	$0.773	0.826	-0.001	-
Hambros Fund Managers (CI) Ltd				
Japanese DTC	[illegible]	[illegible]	[illegible]	-
Havelet Throgmorton Mngmt Ltd				
Intl Inc-Stlg High Inc	[illegible]	10.42		10.09
Intl Inc-Intl High Inc	[illegible]	51.06		5.54
Henderson Admin. (Guernsey)				
Balanced Gwth $ Prtflo	$2.166	2.334	+0.005	-
Balanced Gwth £ Prtflo	£1.300	[illegible]	+0.012	-
Select Mkts $ Prtflo	$2.224	2.381	+0.009	-
Inc & Gwth $ Prtflo	$1.835	1.954	+0.007	-
High Income £ Prtflo	£0.579	0.611		-
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	72.89	77.95	-0.46	2.59

	Bid Price	Offer Price	+ or -	Yield Gross
Sarasin (Isle of Man) Ltd				
Fortex Fd July 20		£13.41		-
UK Trend July 24		£10.06		-
Target International (Isle of Man) Ltd				
TMC Offshore Fd	£9.74	10.56		-
Fleet Street Inv Fd	£8.91	9.56		-
Offshore Income Fd Ltd	£9.64	10.19		-
[illegible]	£11.58	12.20		-
Tattersalls Intl Assets	£8.85	9.27		-
Tyndall International (Isle of Man) Ltd				
N L Gilt/Bulldog	96.6			-
Account Shares	154.1	163.9	-0.2	-
Unibank Scandinavian Fund Ltd				
Scandinavia Fd	198.04	210.32		1.0

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Equities	5¼	[illegible]	0.977	1.045	[illegible]	2.4
Global Income (Inc)	5¼	[illegible]	0.460	0.491		4.0
Global Resources R	5¼	[illegible]	0.460	0.491	[illegible]	1.3
Currency Fund						
[illegible]		£10.22		10.23		13.8
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, Capital Hse Bath St, St Helier, Jersey Tel 0534 74689 (Dealing) 0534 75639 (Helpline) Facsimile 0534 79040 Telex 4192136						
Capital House International Growth Funds Ltd						
Equities						
UK Equity	5	[illegible]	1.224	1.299	[illegible]	-
North American	5	[illegible]	1.638	1.738	[illegible]	-
Japanese	5	[illegible]	1.833	1.945	[illegible]	-
Pacific Basin	5	[illegible]	2.871	3.047	[illegible]	-
Continental European	5	[illegible]	2.841	3.015	[illegible]	-
Gold	5	[illegible]	1.475	1.565	[illegible]	-

JERSEY (REGULATED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

High yielding currencies rise

THE DOLLAR and sterling were generally firm at a time when interest rate considerations were the main topic of discussion. The US currency rose above Y150.00, on fading expectations of an upward move in the Japanese discount rate and on an earlier report that Mr Wayne Angell, a Federal Reserve Board governor, is opposed an easing of US monetary policy.

Selling of the yen against the dollar and European currencies was seen in Tokyo, where the US unit rose above Y150.00 for the first time since July 10. At the London close the dollar had advanced to Y150.45 from Y148.85. It had also climbed to DM1.6225 from DM1.6170; to FFr5.4350 from FFr5.4225; and to SFr1.3770 from SFr1.3715. The dollar's index rose to 65.4 from 65.2.

The next test for the dollar is likely to come today, when figures on second quarter US Gross National Product are released. Growth of around 1.6 per cent is expected, compared with 1.9 per cent in the first quarter.

Sterling was helped by nervousness surrounding the D-Mark, but its rally was limited by doubts on the timing of the pound's full membership of the European Monetary System. Dealers noted that Mr John Major, the UK Chancellor, has been less optimistic about the prospects for inflation of late, and that this could cause delay. He reaffirmed the Government's commitment to joining the EMS exchange rate mechanism, when speaking to a parliamentary committee on Wednesday, but did not give any hint about the timing.

Sterling closed unchanged at $1.8135 yesterday, but rose to DM2.9425 from DM2.9325; to FFr9.8575 from FFr9.8325; to SFr2.4975 from SFr2.4875; and to Y272.75 from Y270.00. Its index gained 0.2 to 93.1.

The Canadian dollar was very firm, prompting intervention by the Bank of Canada according to dealers. The central bank was reported to have bought US dollars at around C$1.1510, helping to push the US currency up to C$1.1520 at the London close, unchanged from Wednesday.

The Spanish peseta was also strong at the top of the EMS, particularly against the D-Mark which at times yesterday was the weakest member of the system and at its floor against the peseta. Concern about the economic impact of monetary union between the two Germanys weighed on the D-Mark.

As high yielding currencies, such as sterling, the Canadian dollar and the Spanish peseta were in demand speculation increased about possible cuts in some countries interest rates. Mr Pierre Beregovoy, French Finance Minister, said it is paradoxical that currencies of countries with high inflation should be at the top of the EMS and that a cut in their interest rates could help the stability of the system. He noted that last week's rise in Dutch money market rates had failed to lift the guilder, and repeated that French rates could be cut in coming weeks.

£ IN NEW YORK

July 26	Latest	Previous Close
£ Spot	1.8120-1.8130	1.8112-1.8122
1 month	1.05-1.03pm	1.09-1.07pm
3 months	3.04-3.01pm	3.10-3.07pm
12 months	10.04-9.94pm	10.06-9.96pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 26	Previous
8.30 am	93.0	93.0
9.00 am	93.0	92.9
10.00 am	93.0	92.9
11.00 am	93.0	93.0
Noon	93.0	93.0
1.00 pm	93.0	93.0
2.00 pm	93.0	92.9
3.00 pm	93.1	92.8
4.00 pm	93.1	92.9

CURRENCY RATES

July 26	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.746086	0.703568
U.S Dollar	7	1.34952	1.27465
Canadian $	13.32	1.55411	1.46713
Austrian Sch.	6½	15.4223	14.5425
Belgian Franc	10¼	NA	42.5384
Danish Krone	10½	8.34206	7.86526
Deutsche Mark	6.00	2.19162	2.06647
Neth. Guilder	7.00	2.46895	2.32892
French Franc	10¼	7.34814	6.92647
Italian Lira	13½	1604.21	1512.44
Japanese Yen	5¼	201.146	191.606
Norway Krone	8	8.44800	7.97296
Spanish Peseta	-	134.141	126.573
Swedish Krona	11	7.97634	7.52811
Swiss Franc	6.00	1.86504	1.75392
Greek Drach.	20½	-	202.504
Irish Punt	-	-	0.770510

† European Commission Calculations.
* All SDR rates are for July 25

CURRENCY MOVEMENTS

July 26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.1	-19.5
U.S Dollar	65.4	-13.5
Canadian Dollar	104.7	+2.0
Austrian Schilling	109.5	+11.5
Belgian Franc	111.2	-2.4
Danish Krone	110.6	+4.9
Deutsche Mark	118.4	+24.2
Swiss Franc	114.0	+22.4
Guilder	114.3	+15.8
French Franc	104.8	-11.9
Lira	101.6	-18.0
Yen	120.4	+51.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for July 25.

OTHER CURRENCIES

Jul 26	£	$
Argentina	9350.15 - 9427.90	5155.00 - 5195.00
Australia	2.3200 - 2.3220	1.2800 - 1.2810
Brazil	122.060 - 123.220	67.30 - 67.90
Finland	6.8915 - 6.9045	3.8010 - 3.8040
Greece	285.05 - 289.65	157.790 - 160.350
Hong Kong	14.0710 - 14.0845	7.7600 - 7.7620
Iran	124.50*	67.80*
Korea(Sth)	1282.55 - 1303.20	712.80 - 718.40
Kuwait	0.52380 - 0.52440	0.28980 - 0.28990
Luxembourg	60.60 - 60.70	33.40 - 33.50
Malaysia	4.9035 - 4.9155	2.7060 - 2.7080
Mexico	5204.75 - 5208.00	2870.00 - 2880.00
N. Zealand	3.0895 - 3.0940	1.7035 - 1.7055
Saudi Ar.	6.7780 - 6.7835	3.7495 - 3.7505
Singapore	3.2980 - 3.3055	1.8195 - 1.8215
S.Af (Cm)	4.7180 - 4.7250	2.6145 - 2.6160
S.Af (Fn)	7.0040 - 7.1415	3.8610 - 3.9370
Taiwan	49.25 - 49.35	27.15 - 27.20
U.A.E.	6.6360 - 6.6435	3.6715 - 3.6735

* Selling rate

EURO-CURRENCY INTEREST RATES

Jul 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 - 14⅞	15 - 14⅞	15⅛ - 14 15/16	15⅛ - 14 15/16	14 31/32 - 14 29/32	14 13/16 - 14⅝
US Dollar	8 1/16 - 7 15/16	8 1/16 - 7 15/16	8⅛ - 8	8¼ - 8	8¼ - 8	8¼ - 8⅛
Can. Dollar	13¼ - 12¾	13½ - 13¼	13¼ - 13⅛	13⅜ - 13¼	13⅛ - 12 29/32	13 - 12¾
D. Guilder	8 - 7¾	8 - 7¾	8 1/16 - 7 15/16	8¼ - 8⅛	8⅜ - 8¼	8 11/16 - 8 9/16
Sw. Franc	9 - 8¾	9 - 8¾	9 - 8⅞	8 13/16 - 8 11/16	8 11/16 - 8 9/16	8⅝ - 8½
Deutschmark	8¼ - 7 15/16	8¼ - 7 15/16	8¼ - 8	8⅜ - 8¼	8⅝ - 8½	8 15/16 - 8 13/16
Fr. Franc	10⅛ - 10	10⅛ - 10	9 15/16 - 9 13/16	9 15/16 - 9 13/16	10 - 9⅞	10⅛ - 10
Italian Lira	13 - 11	12 - 11	11¾ - 10¾	11½ - 11	11⅞ - 11 1/16	11¾ - 11½
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	7⅜ - 7¼	7⅜ - 7¼	7⅝ - 7½	7¾ - 7⅝	7⅞ - 7¾	7⅞ - 7¾
D.Krone	10⅜ - 10¼	10⅜ - 10⅛	10 5/16 - 10 3/16	10⅛ - 10	10⅛ - 10	10⅛ - 10
Asian $Sing.	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8¼ - 8⅛

Long term Eurodollars: two years 8 5/16-8 3/16 per cent; three years 8 11/16-8 9/16 per cent; four years 8 13/16-8 11/16 per cent; five years 9 1/16-8 15/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8055 - 1.8155	1.8130 - 1.8140	1.05-1.03cpm	6.88	3.03-3.00pm	6.65
Canada	2.0825 - 2.0910	2.0845 - 2.0855	0.28-0.21cpm	1.41	0.86-0.69pm	1.49
Netherlands	3.30½ - 3.32¼	3.31 - 3.32	2-1¾cpm	6.79	5½-5¼pm	6.49
Belgium	60.35 - 60.75	60.60 - 60.70	30-27cpm	5.64	86-82pm	5.54
Denmark	11.16¾ - 11.21¼	11.17 - 11.18	4⅝-4¼orepm	4.77	13½-12¾pm	4.70
Ireland	1.0920 - 1.1020	1.0975 - 1.0985	0.45-0.40cpm	4.64	1.25-1.15pm	4.37
W. Germany	2.93¼ - 2.94¾	2.94 - 2.94½	1¾-1⅝pfpm	6.88	4¾-4½pm	6.46
Portugal	257.75 - 259.70	258.70 - 259.70	25-5cpm	0.69	86-12pm	0.76
Spain	179.55 - 180.30	179.90 - 180.20	6-1cpm	0.23	16-6pm	0.24
Italy	2149¾ - 2156	2152½ - 2153½	7-6lirepm	3.62	20-18pm	3.53
Norway	11.31¾ - 11.36¼	11.32½ - 11.33½	3⅞-3⅛orepm	3.84	10⅝-10pm	3.64
France	9.83½ - 9.87¼	9.85¼ - 9.86¼	4¼-4cpm	5.02	12¼-11¾pm	4.89
Sweden	10.68 - 10.72¼	10.69½ - 10.70½	2⅝-2⅜orepm	2.80	6¾-6⅝pm	2.52
Japan	271¼ - 273¼	272¼ - 273¼	1¾-1⅝ypm	7.42	4¾-4¼pm	7.06
Austria	20.65 - 20.73	20.70 - 20.73	12-11gropm	6.66	34-31cpm	6.28
Switzerland	2.48¾ - 2.50¼	2.49¼ - 2.50¼	1⅜-1¼cpm	6.01	3¾-3½pm	5.81
ECU	1.4170 - 1.4215	1.4170 - 1.4180	0.61-0.58cpm	5.04	1.67-1.62pm	4.64

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.78-5.73cpm. 12 Month 10.03-9.93cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8055 - 1.8155	1.8130 - 1.8140	1.05-1.03cpm	6.88	3.03-3.00pm	6.65
Ireland†	1.6495 - 1.6560	1.6505 - 1.6515	0.38-0.33cpm	2.58	1.06-0.96pm	2.45
Canada	1.1500 - 1.1540	1.1515 - 1.1525	0.52-0.54cdis	-5.52	1.48-1.55dis	-5.26
Netherlands	1.8235 - 1.8355	1.8280 - 1.8290	par-0.02cdis	-0.07	0.07-0.10dis	-0.19
Belgium	33.10 - 33.50	33.40 - 33.50	2-5cdis	-1.26	6-13dis	-1.14
Denmark	6.16 - 6.18½	6.16 - 6.16½	1.00-1.20oredis	-2.14	2.90-3.30dis	-2.01
W. Germany	1.6175 - 1.6265	1.6220 - 1.6230	par-0.02pfdis	-0.07	0.06-0.08dis	-0.17
Portugal	142.60 - 142.85	142.60 - 142.70	47-57cdis	-4.37	165-195dis	-5.05
Spain	99.15 - 99.60	99.45 - 99.55	55-59cdis	-6.87	157-168dis	-6.53
Italy	1184 - 1190	1187 - 1187½	3.00-3.60liredis	-3.34	8.80-9.80dis	-3.13
Norway	6.24 - 6.27	6.24½ - 6.25	1.50-1.75oredis	-3.12	4.60-5.00dis	-3.07
France	5.42 - 5.45	5.43¾ - 5.43¾	0.80-0.89cdis	-1.87	2.40-2.55dis	-1.82
Sweden	5.89½ - 5.91¾	5.89¾ - 5.90¼	1.95-2.10oredis	-4.12	6.10-6.45dis	-4.25
Japan	149.95 - 150.70	150.40 - 150.50	0.09-0.07ypm	0.64	0.15-0.12pm	0.36
Austria	11.38½ - 11.44	11.42 - 11.42½	0.05-0.45grodis	-0.26	0.70-1.80dis	-0.44
Switzerland	1.3710 - 1.3830	1.3765 - 1.3775	0.08-0.11cdis	-0.83	0.27-0.32dis	-0.86
ECU	1.2730 - 1.2795	1.2730 - 1.2740	0.21-0.20cpm	1.93	0.67-0.64pm	2.06

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.5384	+0.88	+0.56	±1.5508
Danish Krone	7.79845	7.86526	+0.86	+0.54	±1.6453
German D-Mark	2.04446	2.06647	+1.08	+0.76	±1.1762
French Franc	6.85684	6.92647	+1.02	+0.70	±1.3618
Dutch Guilder	2.30358	2.32892	+1.10	+0.78	±1.5272
Irish Punt	0.763159	0.770510	+0.96	+0.64	±1.6689
Italian Lira	1529.70	1512.44	-1.13	-1.45	±1.5162
Spanish Peseta	133.631	126.573	-5.28	[illegible]	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 26	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.814	2.943	272.8	9.860	2.498	3.315	2153	2.085	60.65
$	0.551	1	1.622	150.4	5.434	1.377	1.827	1187	1.149	33.43
DM	0.340	0.616	1	92.69	3.350	0.849	1.126	731.6	0.708	20.61
YEN	3.666	6.650	10.79	1000.	36.14	9.157	12.15	7892	7.643	222.3
F Fr.	1.014	1.840	2.985	276.7	10.	2.534	3.363	2184	2.115	61.52
S Fr.	0.400	0.726	1.178	109.2	3.946	1	1.327	861.9	0.835	24.28
H Fl.	0.302	0.547	0.888	82.29	2.974	0.754	1	649.5	0.629	18.30
Lira	0.464	0.843	1.367	126.7	4.579	1.160	1.540	1000.	0.968	28.17
C $	0.480	0.870	1.412	130.8	4.728	1.198	1.590	1033	1	29.09
B Fr.	1.649	2.991	4.852	449.8	16.25	4.119	5.466	3550	3.438	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE EUROMARK OPTIONS DM1m points of 100%

LIFFE EURODOLLAR OPTIONS $1m points of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

Previous day's open int. 5030 (5479)

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	84.55	84.90	84.41	84.70
Dec	84.47	84.82	84.49	84.61

Estimated volume 32857 (30250)
Previous day's open int. 79786 (78823)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sep	93.05	93.10	92.98	93.40
Dec	93.27			93.62

Estimated volume 196 (94)
Previous day's open int. 998 (998)

THREE MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev.
Sep	85.27	85.28	85.25	85.26
Dec	86.05	86.08	86.02	86.05
Mar	86.88	86.89	86.84	86.86
Jun	87.41	87.42	87.38	87.40
Sep	87.77	87.78	87.74	87.75
Dec	87.92	87.92	87.89	87.90
Mar	87.90	87.91	87.88	87.89
Jun	87.84	87.84	87.81	87.81
Sep	87.85	87.84	87.84	87.84
Dec	87.86			87.84
Mar	87.86			87.84
Jun	87.86			87.84

Est. Vol. (inc. figs. not shown) 20502 (37549)
Previous day's open int. 177137 (177816)

THREE MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev.
Sep	92.00	92.02	91.99	92.04
Dec	92.02	92.03	92.01	92.05
Mar	92.02	92.03	92.00	92.03
Jun	91.83	91.84	91.84	91.85
Sep	91.67	91.67	91.65	91.67
Dec	91.46	91.45	91.45	91.46
Mar	91.37			91.37
Jun	91.24			91.24

Est. Vol. (inc. figs. not shown) 3710 (3946)
Previous day's open int. 33621 (32845)

THREE MONTH EUROMARK DM 1m points of 100%

	Close	High	Low	Prev.
Sep	91.68	91.70	91.64	91.66
Dec	91.51	91.52	91.48	91.49
Mar	91.46	91.47	91.42	91.43
Jun	91.42	91.43	91.39	91.40
Sep	91.35	91.37	91.37	91.34
Dec	91.37			91.34
Mar	91.33	91.36	91.36	91.34
Jun	91.36			91.34

Estimated volume 6886 (5126)
Previous day's open int. 61600 (61079)

THREE MONTH ECU ECU 1m points of 100%

	Close	High	Low	Prev.
Sep	89.74	89.74	89.73	89.75
Dec	89.75	89.75	89.75	89.71
Mar	89.86	89.89	89.84	89.84
Jun				

Estimated volume 51 (8)
Previous day's open int. 2879 (2882)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Sep	2385.0	2430.0	2382.0	2423.0
Dec	2446.0			2488.0
Mar	2495.0			2533.0

Estimated volume 5539 (3743)
Previous day's open int. 25650 (24977)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8135	1.8031	1.7834	1.7560	1.7137

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.7982	1.7984	1.7934	1.7908
Dec	1.7700	1.7700	1.7650	1.7626
Mar	-	1.7440	-	1.7380

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	92.65	92.66	92.63	92.63
Dec	92.88	92.88	92.85	92.86
Mar	92.89	92.89	92.85	92.87
Jun	-	-	-	92.70
Sep	-	-	-	92.60

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.7271	0.7280	0.7251	0.7259
Dec	0.7273	0.7273	0.7235	0.7225
Mar	-	-	-	0.7219
Jun	-	-	-	0.7222

STANDARD & POORS 500 INDEX $500 times index

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec
1.650	15.80	15.80	15.90	15.80
1.675	13.30	13.30	13.40	13.50
1.700	10.80	10.80	10.90	10.80
1.725	8.30	8.30	8.40	8.31
1.750	5.90	5.96	6.11	6.38
1.775	3.54	4.05	4.27	4.74
1.800	1.78	2.70	2.86	3.45

Previous day's open int. Calls 296,161 Puts 317,455 (All currencies)
Previous day's volume. Calls 11,591 Puts 7,667 (All currencies)

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change
September	102.92	102.90	-
December	103.04	103.02	-0.16
March	103.02	102.98	-0.14
June	-	-	-

Estimated volume 34,715 Total Open Interest 71,974

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls March
100	-	3.25	-
101	-	-	-
102	1.16	-	-
103	0.58	1.20	1.53
104	0.21	0.77	1.09
105	0.07	0.46	-
Open Int.	112,208	29,456	2,434

Estimated volume 10,521 Total Open Interest 261,796

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int.
September	90.23	90.23	+0.04	90.26	90.21	9.76	14,685
December	90.21	90.26	+0.06	90.27	90.21	9.74	3,614
March	90.22	90.26	+0.05	90.27	90.22	9.73	1,817
June	90.25	90.25	+0.05	90.25	90.25	9.75	108

Estimated volume 7,392 Total Open Interest 20,224

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open Int.
July	2007.0	1984.0	-12.5	2009.0	1977.5	3,622
August	2020.0	1999.0	-10.0	2021.0	1994.0	2,906
September	2031.0	2011.0	-8.0	2031.0	2011.0	260
December	-	-	-	-	-	0

Estimated volume 4,495 Total Open Interest 6,786

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Rates little changed

LONDON INTEREST rates showed small mixed changes in quiet trading, lacking fresh factors. Sentiment was helped by a slight firming of sterling on the foreign exchanges, but this had little impact on rates. Three-month interbank was quoted at 15-14 15/16 per cent compared with 14 31/32-14 15/16, and 12-month money eased to 14¾-14½ per cent from 14 13/16-14 9/16. Short sterling futures moved in a narrow range on Liffe.

UK clearing bank base lending rate 15 per cent from October 5

December delivery opened slightly firmer at 86.06 and after touching 86.08 closed unchanged at 86.05.

The Bank of England initially forecast a day-to-day credit shortage of £550m on the money market, but revised this to £500m at noon, and back to £550m in the afternoon. Total help of £448m was provided.

Before lunch the authorities bought £112m bills outright, by way of £3m Treasury bills in band 2 at 14¾ per cent and £109m bank bills in band 2 at 14¾ per cent. In the afternoon another £336m bank bills were purchased, in band 1 at 14⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £478m, with a rise in the note circulation absorbing £65m and bank balances below target £65m. These outweighed Exchequer transactions adding £35m to liquidity.

In Frankfurt the Bundesbank kept credit policies unchanged at yesterday's council meeting, leaving the West German discount rate at 6.00 per cent and the Lombard rate at 8.00 per cent. Analysts expect the central bank to wait for further information on money supply in East Germany before making any policy decisions. The next council meeting will take place after the summer recess on August 23.

Call money eased to 7.95 from 8.00 per cent despite a drain of DM4bn from the Frankfurt market at this week's securities repurchase agreement tender.

Banks reserve holdings rose on Tuesday to DM58.6bn from DM55.5bn, to average DM60.0bn for the first 24 days of July. The Bundesbank has set a minimum requirement for the whole month of DM59.7bn.

In Amsterdam the Dutch Central Bank allocated Fl 2.88bn to the domestic money market at a tender for four-day special advances. The interest rate was unchanged at 8 per cent. This replaced an expiring six-day facility of Fl 2.13bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 26) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed. funds	8
Fed. funds at intervention	8

Treasury Bills and Bonds

One month	7.06	Three year	8.21
Two month	7.75	Four year	8.27
Three month	7.81	Five year	8.30
Six month	7.85	Seven year	8.44
One year	7.88	10-year	8.49
Two year	8.08	30-year	8.54

July 26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	7.95-8.10	7.95-8.10	8.05-8.20	8.20-8.40	8.00
Paris	10⅛-10¼	9 13/16-9 15/16	9 13/16-9 15/16	9⅞-10	9⅞-10	9.50
Zurich	7⅞-8¼	8¾-9	-	8¾-9	-	-
Amsterdam	8.00-8.12	8.05-8.12	-	8.18-8.25	-	-
Tokyo	7⅜-7½	7 9/16-7 11/16	-	7⅝-7 11/16	-	-
Milan	11⅛-11⅜	11⅝-12	-	11⅝-12	-	-
Brussels	10.25	9⅝-9⅞	-	9 11/16-9⅞	-	-
Dublin	10⅝-10¾	10 9/16-10 13/16	10 9/16-10 11/16	10 9/16-10 11/16	10 9/16-10 11/16	-

LONDON MONEY RATES

Jul 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	15	15	15	14 15/16	14⅝
Interbank Bid	14¾	14⅞	14⅞	14⅞	14 13/16	14½
Sterling CDs.	-	-	14 15/16	14 15/16	14 13/16	14½
Local Authority Deps.	14 15/16	14 15/16	14 15/16	14 15/16	14⅞	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14⅞	14¾	14½	-	-
Company Deposits	-	-	14 15/16	14 15/16	14 15/16	14⅝
Finance House Deposits	-	-	15	15	15	14⅞
Treasury Bills (Buy)	-	-	14⅝	14 11/32	-	-
Bank Bills (Buy)	-	-	14 11/16	14⅝	13 13/16	-
Fine Trade Bills (Buy)	-	-	15 1/16	15	14 3/16	-
Dollar CDs.	-	-	8.03	8.05	8.05	8.15
SDR Linked Dep. Offer	-	-	8⅞	9	9⅛	9⅜
SDR Linked Dep. Bid	-	-	8¾	8⅞	8 15/16	9¼
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10¼	10⅜
ECU Linked Dep. Bid	-	-	9¾	9 15/16	10⅛	10¼

Treasury Bills (sell); one-month 14 19/32 per cent; three months 14 7/32 per cent; six months 13 13/16 per cent; Bank Bills (sell): one-month 14⅝ per cent; three months 14 11/32 per cent; Treasury Bills; Average tender rate of discount 14.3188 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29, 1990. Agreed rates for period July 25, 1990 to August 25, 1990, Scheme I: 15.84 p.c., Schemes II & III: 16.25 p.c. Reference rate for period June 1, 1990 to June 29, 1990, Scheme IV&V: 15.025 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from July 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,300 Set by HIGHLANDER

ACROSS

1 Race of bad-tempered people (5-7)
10 Strange lustre inside prayer bell (7)
11 Each native African doesn't begin briskly when playing (7)
12 Turning note round can produce order (5)
13 In favour of having batter present (8)
15 State-run over the whole country (10)
16 Gum clears round (4)
18 Hides it expertly, concealing position (4)
20 Daring to introduce parking increase (10)
22 Occasion that's about died in latter part of day (8)
24 Fight shy of writing article on invalid (5)
26 Run in to give strange dizzy feeling (7)
27 Crush part of tyre covering (5,2)
28 Wise men with degree of eminence about right for J.P.'s function (12)

DOWN

2 Temper rises over National Trust ruling (7)
3 Suspension is one answer (8)
4 Players use shed (4)
5 Without crossing over outside, a complete ....(10)
6 ....union goes over the edge and makes a bloomer (5)
7 Food is cooked in trough at bottom of yard (7)
8 Go and have your holiday (4,4,5)
9 Anniversary of marriage or match (6,7)
14 They provide two-way access through side entrance in ship (5,5)
17 It's obvious father turned up with another father (8)
19 There's nothing in motorway proposition (7)
21 Properly arranged so that it is possible (2,5)
23 Night shift becomes an obsession (5)
25 Mix together in jug (4)

Solution to Puzzle No.7,299

COSSET COMMENCE / INURED BESTRIDE / PALMISTS ARDENT / RUDE PASTMASTER / TREPANNING STAR / CRATER DEFINITE / INTEREST PARENT / GARDENIA LESSEE

WORLD STOCK MARKETS

AUSTRIA

July 26	Sch	+ or −
Austrian Airlines	5,420	+20
Creditanstalt	6,700	
Erste Allgemeine	27,400	+600
Jungbunzlauer	14,400	−50
Landerbank	1,320	−5
OeMV	12,750	+450
Perlmooser	2,030	+20
Rades	1,315	
Reininghaus	2,900	−45
Steyr-Daimler	230	−2
Veitscher Mag	1,280	−11
Verbund	635	
Wienerberger	6,845	−5

BELGIUM/LUXEMBOURG [illegible]

FRANCE [illegible]

GERMANY [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

NORWAY [illegible]

SPAIN [illegible]

DENMARK [illegible]

FINLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm Prices July 26

Quotations in cents unless marked $.

[illegible]

‡—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	July 26	July 24	July 23	July 20	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2930.94	2922.52	2904.70	2961.14	2999.75 (16/7)	2543.24 (30/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.01	90.86	90.91	90.94	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1141.61	1137.96	1136.13	1159.31	1212.77 (6/6)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	202.65	200.39	200.20	202.15	236.23 (2/1)	200.20 (23/7)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2946.53 (2939.60) Low 2896.78 (2866.83)

STANDARD AND POOR'S

	July 26	July 24	July 23	July 20	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	357.09	355.79	355.31	361.61	368.95 (16/7)	322.98 (30/1)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	423.11	421.71	420.79	428.69	437.37 (16/7)	371.92 (30/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	27.97	27.83	28.05	28.51	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.10	194.45	194.22	197.65	201.13 (16/7)	178.43 (30/1)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	356.95	355.51	354.92	360.45	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	445.45	442.56	444.64	455.28	469.60 (16/7)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Jul 20	Jul 13	Jul 6	year ago (approx.)
Dow Industrial Div. Yield	3.64	3.62	3.71	3.47
	Jul 18	**Jul 11**	**Jul 4**	**year ago (approx.)**
S & P Industrial div. yield	2.87	2.90	2.92	3.17
S & P Indl. P/E ratio	17.29	17.13	17.00	12.85

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Chase Manhattan	4,102,700	20⅜	+ ⅝
Citicorp	3,648,900	21	+ ⅜
Comp Assoc	1,986,900	9½	+ ⅜
Union Carbide	1,976,800	20	+ ¼
La Gear	1,898,800	23	− 2¼
Philip Morris	1,838,400	49	− ⅝
Dow Chemicals	1,830,500	52	− ⅜
Utd Telecomms	1,640,100	26½	− ⅜
Gen Electric	1,639,600	73¼	+ ⅜
Upjohn	1,548,700	42⅞	+ 2¼

TRADING ACTIVITY

† Volume Millions	July 25	July 24	July 23
New York	164.047	181.920	209.030
Amex	10.518	13.757	14.135
NASDAQ	141.604	160.505	168.879
Issues Traded	1,972	2,007	2,016
Rises	897	749	225
Falls	574	745	1,409
Unchanged	501	513	382
New Highs	28	25	13
New Lows	61	79	122

CANADA

TORONTO	July 25	July 24	July 23	July 20	1990 HIGH	1990 LOW
Metals & Minerals	3339.33	3289.12	3284.98	3310.92	3453.05 (4/1)	2850.80 (23/4)
Composite	3554.41	3547.64	3548.20	3577.68	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1851.70	1850.91	1852.48	1868.96	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 26	July 25	July 24	July 23	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1590.8	1591.5	1587.0	1598.4	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	787.5	782.1	775.2	776.2	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	675.77	670.51	672.08	678.98	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6344.32	6346.83	6312.13	(c)	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	387.12	386.82	385.99	387.58	388.29 (20/7)	352.96 (25/4)
FINLAND						
Unitas General (1975)	541.2	540.8	536.8	536.3	677.3 (23/1)	532.7 (17/7)
FRANCE						
CAC General (31/12/82)	533.80	533.78	530.98	536.22	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	1984.37	1998.58	1995.61	1990.04	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	824.32	818.21	818.31	825.81	832.32 (19/7)	732.71 (24/1)
Commerzbank (1/12/53)	2361.9	2354.2	2355.90	2376.40	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1932.89	1920.25	1921.16	1938.04	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3483.59	3520.54	3495.87	3559.89	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1628.09	1635.36	1643.23	1644.13	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	730.39	725.26	726.93	737.06	763.52 (14/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	31369.75	31701.27	31702.46	31894.79	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2281.20	2307.31	2304.59	2329.92	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	4384.30	4380.76	4329.23	4360.11	4477.16 (16/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	627.01	627.04	625.23	(c)	631.13 (17/7)	518.53 (2/5)
NETHERLANDS						
CBS Tll Rtn Gen (End 1983)	268.0	269.2	267.9	268.7	271.9 (20/7)	240.1 (26/2)
CBS All Shr (End 1983)	199.6	200.5	199.5	200.1	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	868.64	868.77	866.33	865.88	868.77 (25/7)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	915.65	888.47	886.12	882.08	1160.78 (21/3)	740.31 (6/6)
SINGAPORE						
SES All-Singapore (2/4/75)	444.37	444.47	441.95	444.74	446.87 (16/7)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1597.0	1685.0	1547.0	1532.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	3023.0	3013.0	2978.0	2955.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	676.83	685.27	679.67	681.38	928.82 (4/1)	676.83 (26/7)
SPAIN						
Madrid SE (30/12/85)	299.33	301.67	301.55	299.98	309.74 (16/7)	248.17 (2/4)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1309.3	1307.7	1305.2	1315.6	1329.9 (5/7)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	813.3	809.8	818.9	845.5 (13/7)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	5255.89	5321.64	5271.61	4991.42	12495.34 (10/2)	4524.55 (5/7)
THAILAND						
Bangkok SET (30/4/75)	1141.78	1143.78	1130.86	1133.54	1143.78 (25/7)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	524.2	524.2	526.0	571.0 (4/1)	468.3 (2/4)

**Saturday July 21: Taiwan Weighted Price: 5299.56. Korea Comp Ex. 686.69

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday July 26 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	9.5m	511	-17
MHI	6.3m	920	-21
Fuji Heavy Ind	5.4m	749	-14
Mitsui Mng&Sml	5.2m	851	-16
Hitachi	5.1m	1,410	0
Nippon Oil	4.9m	1,400	-40
Mitsubishi Paper	4.8m	956	-29
NKK	4.1m	534	-8
Chuetsu Paper	3.3m	1,010	-30
Honshu Paper	3.2m	3,490	-20

3pm prices July 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Cont on Next Page

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
78¼	37½	Rorer	.84b	1.1	35	356	75½	74¼	75¾	+ ⅛
67⅞	61	Rorer wd				292	64½	63¾	64½	- ½
14⅛	7½	Rowan				2481	14⅛	13¾	13⅞	- ¼
25¾	21¼	RBSct pr2.24e	8.4			15	24	23¾	23⅞	
82¼	63⅛	RoylD	3.85e	4.8	12	3540	81⅛	80⅛	80⅜	- 1⅛
10	8½	Royce	.52e	5.5		35	9⅜	9⅜	9⅜	- ⅛
45	31	Rubmd	.52	1.3	24	750	41½	40½	41⅜	- ⅜
18½	13⅛	RussBr	.40	2.3	17	9	17½	17½	17½	- ⅛
15	7⅞	RussTg	.20	2.2		2	9⅛	9⅛	9⅛	
31	20⅞	Russell	.32	1.1	18	365	29⅞	29¼	29⅞	+ ¼
31¼	17⅝	Ryder	.60	2.7	68	1785	21⅞	21½	21⅞	
29½	15¼	Rykoff	.60	3.3	19	155	18⅛	18	18	
25¾	16	Ryland	.60	3.6	5	245	16⅛	16	16	- ⅛
14⅛	8¼	Rymer				30	9⅛	9¼	9⅛	+ ⅛

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

3pm prices July 26

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm Prices July 26

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Dow picks up after early futures-related losses

Wall Street

A BOUT of futures-related selling and mildly disappointing results from Compaq Computer sent the Dow Jones Industrial Average lower yesterday morning, but the index then recovered most of the ground lost, *writes Janet Bush in New York.*

At 2 pm, the Dow was 4.70 lower at 2,926.24 on moderate volume of 96m shares. The Dow had risen 8.42 to 2,930.94 on Wednesday.

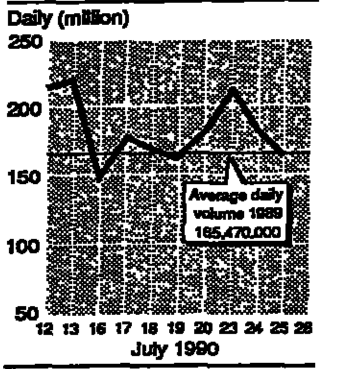
Among other indices, the broad-based Standard & Poor's 500 index stood 0.17 down at 357.26, representing a recovery from its morning lows, and the Nasdaq Composite index of over-the-counter stocks was 1.00 higher at 446.45.

Compaq Computer, which had traded strongly earlier in the week on anticipation of strong results, came in for some profit-taking after it announced a 24.2 per cent jump in net income but slightly disappointing revenues. Compaq's share price dropped $⅞ to $58⅛.

Other technology issues were mixed. IBM was $⅝ lower at $114⅛, Digital Equipment added $1½ to $76 and Motorola gained $1⅝ to $81⅝. Digital Equipment has this week provided some evidence of more stable conditions in the market. In spite of disappointing earnings reported earlier this week, selling was not intense and the stock has recovered well. This is in marked contrast to recent sessions, when below-forecast earnings have led to punishing selling.

Another modest negative factor for the market was the continuing retreat in oil stocks which had been very strong early in the week on higher crude prices. Oil prices yesterday slipped back towards $20 a barrel. Mobil was $1 lower at $65, Chevron fell $1⅛ to $76⅝ and Exxon dipped $¾ to $49.

NYSE volume



Buying in general seems to have dried up since the recovery from Monday's lows, and there is apparently no new impetus for the market. The only factor moving the market significantly yesterday morning, once again, was stock index arbitrage. Otherwise, investors continue to examine company earnings announcements and trade on these.

One featured sector was automobile manufacturers, with two leading car companies announcing second-quarter results. Ford fell $⅞ to $41¼ after reporting a drop in net income of 45 per cent and General Motors lost $¼ to $47⅞ on news of a 31.8 per cent fall in net income compared with the second quarter last year.

McDonald's, whose results were cited as one trigger for Monday's sharp market decline, continued to fare poorly; some analysts have downgraded the stock and reduced earnings estimates. The fast food chain was $½ lower at $32⅞.

Among stocks that benefited from positive reactions to their earnings was Black & Decker, which gained $⅞ to $16. Disappointments included Data General, which fell $⅞ to $8½, and Raychem, which slumped $2⅞ to $25½.

Lockheed added $⅞ to $27¼ after Mr Harold Simmons, the Dallas investor, denied that he was seeking to sell his stake of about 19 per cent in the company. The share price fell $2⅞ on Wednesday on these rumours.

Canada

TORONTO stocks were flat at midsession after bargain-hunting among selected stocks helped the market recoup early losses. The composite index rose 1.7 to 3,556.1 on volume of 12.21m shares. Advances led declines by 224 to 182. The Canadian dollar's climb against its US counterpart also supported prices.

Alcan rose C$⅞ to C$27⅞. The company said it will start to shut down its Kitimat, British Columbia, smelter following the union's rejection of a labour contract.

ASIA PACIFIC

Reports of tax probe send Nikkei lower for fifth day

Tokyo

REPORTS OF a tax investigation involving more than 10 Japanese securities firms dealt the market another blow yesterday, and share prices tumbled for the fifth day running in quiet trading, *writes Michiyo Nakamoto in Tokyo.*

Shares dropped in late morning on reports that several Japanese securities concerns had been investigated by the Tokyo Tax Administration Bureau. They had allegedly failed to report income related to the sale of warrants in order to compensate clients for losses suffered in the 1987 crash.

The news discouraged market activity, which had already been slow on the weaker yen and interest rate worries. Turnover fell to 330m shares, against Wednesday's 350m.

After an initial attempt to rally in the morning, share prices fell back. The Nikkei average closed 331.52 down at 31,369.75, after reaching a day's high of 31,794.53 and a low of 31,327.67. Losses outpaced gains by 622 to 295, and 205 issues were unchanged.

The Topix index of all listed stocks lost 26.11 to 2,281.20 and, in London trading, the ISE/Nikkei 50 index receded 11.05 to 1,684.49.

The market was also depressed by remarks made by Mr Yasushi Mieno, the Governor of the Bank of Japan, suggesting that interest rates were more likely to rise than fall. His remarks triggered weakness in the bond and futures markets, which accelerated the decline in the cash market.

Yesterday was also the last trading day for settlement in July, which dampened interest.

Securities houses were mostly weak, with Daiwa Securities falling to an all-time low of Y1,320 before closing down Y40 at Y1,330, Yamaichi losing Y60 to Y1,120, and Nikko and Nomura each declining Y50 to Y1,120 and Y2,050 respectively.

Large-capital issues fell on interest rate uncertainty. NTT, the telecommunications group, plunged Y20,000 to another record low of Y1m. Analysts said there was nothing attractive about NTT at this point, with its heavy interest rate burden and poor earnings outlook. Nippon Steel topped the actives list with 9.5m shares and declined Y17 to Y511.

Smaller issues with good earnings prospects posted gains. Amada Metrecs, a maker of metal moulds, initially gained Y90 to a high for the year of Y5,120 on the strength of its sales of electronic machinery and equipment, before ending Y40 up at Y5,070.

CSK, the largest domestic computer software developer, surged Y290 to Y6,580 in intraday trading on speculation that it would make a gratis issue in September. The stock was finally Y160 ahead at Y6,450.

In Osaka, gains in high-technology issues were overshadowed by losses in large-capital stocks and the OSE average fell 157.11 to 35,465.08. Volume dropped to 23m shares from Wednesday's 36m.

Roundup

MOST Pacific Rim markets were lower, with the exception of Manila and Wellington.

MANILA rallied following a move by the Government to seek debt relief due to the recent earthquake. The composite index rose 27.18 to 915.65.

NEW ZEALAND steadied after six days of falls. The Barclays share index improved 10.37 to 1,839.66, but turnover contracted to NZ$13.5m from Wednesday's NZ$15m.

AUSTRALIA was supported by stronger gold and resources sectors. The All Ordinaries index shed a slight 0.7 to 1,590.8, but the golds index jumped 32.9 to 1,406.6. Turnover rose to 82.8m shares, worth A$146.2m, from 74m shares. AdSteam shed a further 19 cents to A$3.95.

HONG KONG was hit by renewed profit-taking. The Hang Seng index lost 36.95 to 3,483.59. Turnover fell to HK$2.03bn from HK$2.41bn. A fall in Hong Kong's June exports and worries about China's attitude towards a large local infrastructure project unsettled the market.

SEOUL fell on fears that a rising number of uncleared client accounts would lead to a liquidity crisis. The composite index shed 2.84 to 682.43.

SINGAPORE followed Tokyo lower. A new listing of Hotel Property 1991 warrants accounted for almost one third of turnover of 78.2m shares, or S$176.4m. The Straits Times Industrial index retreated 3.16 to 1,558.08.

KUALA LUMPUR was supported by the debut of shares in EON, the distributor of the Malaysian-Japanese Proton Saga car. The shares closed at M$8.15, well above the M$4.30 offer price. But the composite index lost 0.03 to 627.01.

TAIWAN drifted lower. The weighted index lost 65.75 to 5,255.89.

The hidden treasure of European insurers

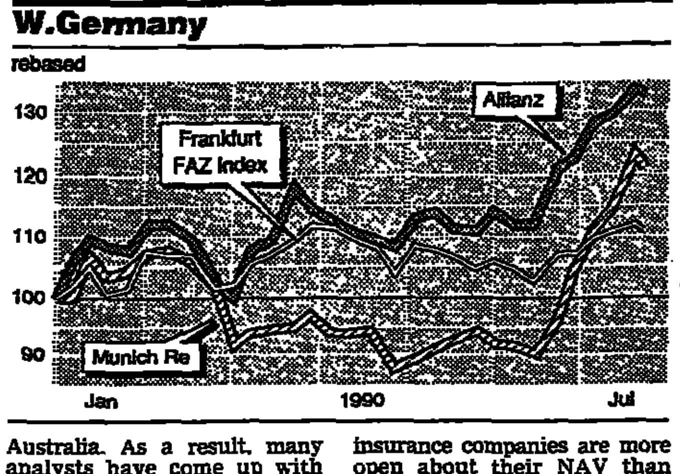
Antonia Sharpe on whether too much importance is being given to net asset values

THE LARGE premiums commanded for the whole or part of European insurance companies in the past year – namely, Victoire's takeover of Colonia and, more recently, La Fondiaria's purchase of a stake in Aachener und Münchener – have highlighted the hidden value of many continental insurers.

When calculating net asset values (NAV), analysts focus on the current market value of insurance companies' equity holdings, accumulated over the years, as well as the potential capital gain if the investment were sold. Bond portfolios come under similar scrutiny. Consequently, insurance stocks are among the first to rise on signs of an improving stock market or on forecasts of lower interest rates.

Analysts also consider the value of the property holdings of insurance companies, which are often given an infinitesimal value in the balance sheet. Property prices and rentals in European cities have been rising sharply in recent years, in contrast to the UK, US and Australia. As a result, many analysts have come up with NAV estimates which put the underlying share price at a significant discount.

W.Germany



Mr Jonathan Walker at Kleinwort Benson Securities says investors should view these discounts to NAV with some caution because, at present, many European insurers do not give out enough information to enable an accurate valuation. Some European insurance companies are more open about their NAV than others: for example, the finance director of Gan, the French insurer, has given a figure of FFr3,550. But this has not propelled the share price to that level.

Even if an analyst's NAV is correct, it is extremely unlikely to be realised. A takeover of Allianz or Generali, for example, is improbable. Furthermore, realised property gains would be severely trimmed by capital gains tax, so shareholders would be lucky to get a small bonus on top of their annual dividend.

The NAV story is in fact having its second run in the West German market in five years. Both Allianz and Munich Re more than doubled in value between 1985 and 1986 on the back of estimates about their hidden value. But since the bubble burst in 1986, Munich Re has still not quite regained its relative high against the FAZ index, while Allianz severely underperformed from mid-1986 to the start of 1988 before outpacing the market once again.

This year's outperformance by these two stocks has been largely driven by fundamentals, but the feeling that the two companies are wells of net asset growth has also been a strong attraction.

Investors are shifting their attention more to the NAV of insurers in the hope that it will provide some sort of support to the share price as earnings momentum slows. Mr Simon Rudolf at Morgan Stanley notes that plans by the European Commission to de-regulate the European insurance market, and advances by banks into the insurance industry, will lead to more competition and deteriorating margins.

Opportunities in eastern Europe are great, but serious returns are not expected before the end of the decade at the earliest. In addition, the most likely winners in this field, Allianz and Generali, were identified several months ago and this earnings development is largely reflected in their share prices.

Looking further ahead, a planned change in accounting policies in the Netherlands could lead to a re-rating of the Dutch insurers, which appear fairly valued at present on a price/earnings, yield and reported NAV basis. The changes, which are likely to be adopted, would reveal a NAV that is far higher than the figure previously reported by the insurance companies.

EUROPE

Ferruzzi group suspended amid merger talk

THE SUSPENSION of Ferruzzi group shares was the main talking point on the Continent yesterday, as most bourses edged up or down in quiet trading, *writes Our Markets Staff.*

MILAN was stunned by Consob's abrupt suspension of five Ferruzzi group shares after the session had started and some of the stocks in question had already been officially settled. In all, Montedison, Ferruzzi Agricola, Eridania, Ferruzzi Finanziaria and Enimont were suspended, and trading in those stocks quoted in London and New York was also halted. Ferruzzi later said that Ferruzzi Agricola and Montedison would hold a board meeting today, to be followed by a news conference.

There was speculation that Agricola would raise its nominal value to L1,000 from L800 and announce an issue of three bonus shares for every seven shares held. It was also rumoured that Agricola and Montedison would merge, which could involve at least a partial cash offer for the 51.3 per cent that Agricola does not own in Montedison.

In the official settlement, Enimont was L3 lower at L1,429, Eridania eased L16 to L10,000, Agricola rose L51 to L2,902, Montedison added L22 to L1.925 and Ferruzzi was suspended at Wednesday's close of L2,960. The Comit index rose 5.13 to 730.39.

PARIS kept a wary eye on Wall Street, and shares prices slipped in quiet trading. The CAC 40 index lost 14.21 to 1,984.37 in turnover estimated at FFr2bn. Béghin-Say, the sugar producer which is 60 per cent owned by Eridania, fell FFr14 to FFr862; it was suspended during trading.

Rhône-Poulenc certificates lost FFr4.90 to FFr455 after yesterday's disappointing results from the UK chemicals group, ICI. Oil stocks declined after their recent gains, as the threat of military conflict in the Middle East seemed to recede. Elf Aquitaine lost FFr13 to FFr697 and Total eased FFr2 to FFr708.

FRANKFURT rose on bargain-hunting after several days of weakness and on short-covering before the weekend. A firmer bond market also helped. The DAX index added 12.64 to 1,932.89 while the FAZ index, calculated at midsession, rose 6.11 to 824.32. Turnover grew to DM6.75bn from DM5.7bn.

Daimler climbed further and was again the most active stock. It added DM15.50 to DM873.50 with 947,142 shares traded on continued hopes that it would bring forward its Tokyo listing.

MADRID fell below the 300 level on the general index, losing 2.34 to 299.33, as attention focused on Wall Street once again. BBV added Pta10 to Pta5,030: the bank announced an 11 per cent rise in first-half pre-tax profits. Union Fenosa rose Pta14 to Pta584 with about 3.2m shares traded.

ZURICH eased in quiet trading as investors watched Wall Street open lower. The Crédit Suisse index lost 3.2 to 659.7. Jacobs Suchard bearers rose SFr20 to SFr6,380 after the previous day's report by Bank Vontobel recommending that Suchard shareholders reject Philip Morris's takeover bid.

AMSTERDAM gave up initial gains as Wall Street opened lower. The CBS Tendency index fell 0.30 to 120.3, near the day's low after having risen to 120.9 early on. Chemical groups were under pressure after ICI's results, with DSM down Fl 1.10 at Fl 111.90.

OSLO concentrated on Norsk Hydro's first-half results as most shares fell in light turnover. Norsk Hydro, the most active stock, dropped NKr1 to NKr203 after announcing profits at the lower end of expectations. The all-share index lost 0.89 to 642.81 in turnover of NKr197m.

STOCKHOLM was little changed in dull trading, with the shipping sector providing the only bright spot. The Affärsvärlden General index rose 1.6 to 1,309.3 as turnover picked up to SKr250m from Wednesday's SKr195m. Argonaut free B shares rose SKr3 to SKr73 in turnover of SKr16m after a newspaper report forecasting good prospects for shipping companies.

COPENHAGEN edged higher with foreign and domestic demand for Daniaco pushing the stock up DKr30 to DKr965. The bourse index rose 0.30 to 387.12.

DEALERS AND investors in the Istanbul stock exchange, the IMKB, have watched the index edge closer to the psychologically important 5,000 level this week. Yesterday it closed at a record 4,933, up 67 points on the day, while daily trading volumes this week have fluctuated around the TL120bn ($45m) level, writes Jim Bodgener in Ankara.

The IMKB's performance this year is underscored by bourse figures for the first half of 1990. According to IMKB sources, the average p/e ratio for the exchange's senior and junior markets, which merged on June 11, was 23.24 over the period, compared with about 9 in the whole of 1989, while the dividend yield was 2½ per cent, compared with 3½-4 per cent in 1989. Share prices rose by an average 97 per cent in the first half; the biggest gain, of 660 per cent, was by Cesme Altinyunus, the tourism company. At the end of the first half, the IMKB's total market capitalisation, including the junior market, was TL41trn.

The daily average volume of trading over the period was TL47.9bn, compared with TL1.6bn in January-June 1989, with inflation of about 62 per cent to the end of June. The daily average number of shares traded in the first half was 4.7m compared with 414,000 in the same period of 1989.

SOUTH AFRICA

GOLD SHARES retreated as the bullion price slid back to below $370. The JSE all-gold index lost 30 to 1,575 while the overall index slipped 18 to 3,152. De Beers eased 75 cents to R96.50 on news of a $5bn deal with the Soviet Union.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 25 1990								TUESDAY JULY 24 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	148.12	+0.2	121.10	139.37	124.53	125.42	+0.1	5.56	147.89	120.11	138.73	124.44	125.26	158.31	125.85	140.25
Austria (19)	280.08	+0.3	228.97	263.53	235.46	235.98	+0.1	1.23	279.13	226.70	261.85	234.88	235.85	285.63	193.15	127.60
Belgium (61)	158.29	+0.6	129.41	148.92	133.07	130.18	+0.6	4.45	157.41	127.84	147.65	132.45	129.46	160.02	132.11	133.00
Canada (119)	139.96	+0.5	114.42	131.68	117.65	116.75	+0.1	3.47	139.32	113.15	130.88	117.22	116.62	153.61	130.37	147.94
Denmark (33)	273.57	+0.9	223.65	257.41	229.98	229.67	+0.2	1.26	272.63	221.42	255.75	229.41	229.16	273.57	236.69	213.05
Finland (26)	135.15	−0.7	110.49	127.17	113.62	107.94	−0.6	2.54	136.06	110.50	127.64	114.49	108.63	152.29	129.99	142.18
France (124)	162.25	+0.3	132.65	152.65	136.39	138.01	+0.2	2.98	161.77	131.38	151.74	136.11	137.73	168.85	141.69	128.57
West Germany (92)	141.89	+0.0	116.08	133.61	119.36	119.36	−0.1	1.89	141.97	115.30	133.20	119.46	119.46	142.93	122.05	97.69
Hong Kong (48)	146.53	+1.1	119.79	137.87	123.19	146.00	+1.0	4.32	145.00	117.76	136.01	122.01	144.53	147.49	112.24	103.86
Ireland (17)	188.69	−0.6	154.26	177.54	158.63	160.84	−0.5	2.72	189.88	154.21	178.12	159.77	161.61	196.57	172.72	153.68
Italy (96)	106.08	−0.2	86.72	99.80	89.17	93.76	−0.3	2.50	106.32	86.34	99.72	89.46	94.05	109.26	91.85	91.40
Japan (454)	147.35	−0.3	120.46	138.64	123.89	138.64	+0.0	0.61	147.79	120.03	138.63	124.37	138.63	197.26	124.40	185.49
Malaysia (35)	250.17	+0.1	204.52	235.38	210.31	260.77	+0.1	2.08	249.83	202.90	234.35	210.22	260.42	250.89	204.15	187.89
Mexico (13)	555.06	+1.3	453.78	522.26	468.62	1744.76	+1.4	0.30	547.77	444.87	513.84	460.93	1720.35	557.35	324.53	268.82
Netherland (43)	147.41	+0.6	120.51	138.70	123.93	122.59	+0.5	4.60	146.56	119.03	137.48	123.32	121.97	147.41	130.43	127.44
New Zealand (17)	67.31	−1.7	55.03	63.34	56.59	60.37	−1.3	7.26	68.45	55.60	64.22	57.60	61.18	75.36	59.57	68.01
Norway (23)	254.67	+0.3	208.36	239.61	214.26	216.38	+0.4	1.47	254.01	206.29	238.28	213.74	215.57	254.87	202.34	190.05
Singapore (25)	206.55	+0.4	168.86	194.34	173.63	173.23	+0.6	2.06	205.72	167.07	192.98	173.10	172.16	209.24	179.70	167.48
South Africa (60)	190.23	+2.7	155.52	178.99	159.92	162.12	+2.7	3.58	185.14	150.36	173.67	155.79	157.78	251.39	170.00	146.64
Spain (42)	181.88	+0.3	148.69	171.13	152.90	136.68	+0.1	4.02	181.40	147.33	170.17	152.64	136.60	182.25	132.84	152.75
Sweden (34)	228.14	+0.0	186.51	214.66	191.79	199.34	+0.0	2.03	228.22	185.35	214.09	192.04	199.41	232.74	173.89	181.86
Switzerland (68)	107.03	+0.8	87.50	100.71	89.99	91.01	+0.5	2.27	106.20	86.25	99.63	89.37	90.53	109.77	88.75	88.59
United Kingdom (303)	173.13	−0.5	141.54	162.89	145.54	141.54	+0.2	4.82	173.96	141.28	163.17	146.36	141.28	176.18	139.87	154.58
USA (539)	144.14	+0.4	117.84	135.62	121.18	144.14	+0.4	3.37	143.54	116.58	134.66	120.79	143.54	148.95	130.61	137.49
Europe (981)	155.92	−0.1	127.47	146.71	131.09	129.10	+0.1	3.55	156.00	126.70	146.34	131.28	128.92	156.66	135.57	128.77
Nordic (116)	217.85	+0.1	178.10	204.98	183.15	179.16	+0.1	1.69	217.58	176.71	204.11	183.09	179.01	218.32	185.01	173.94
Pacific Basin (659)	147.21	−0.2	120.35	139.51	123.76	138.12	+0.0	0.93	147.57	119.85	138.44	124.18	138.08	192.75	124.63	180.70
Euro–Pacific (1640)	151.15	−0.2	123.57	142.21	127.06	135.16	+0.1	2.03	151.40	122.96	142.01	127.39	135.05	174.18	130.35	160.03
North America (658)	143.79	+0.4	117.55	135.30	120.90	142.33	+0.4	3.38	143.19	116.29	134.33	120.51	141.76	148.43	131.02	138.01
Europe Ex. UK (678)	143.98	+0.2	117.71	135.50	121.07	121.25	+0.1	2.74	143.66	116.67	134.79	120.91	121.10	143.98	124.81	112.46
Pacific Ex. Japan (205)	144.68	+0.4	118.28	136.16	121.65	128.54	+0.4	4.79	144.14	117.06	135.23	121.30	128.05	146.72	122.53	123.19
World Ex. US (1832)	151.39	−0.1	123.77	142.46	127.28	135.22	+0.1	2.09	151.56	123.09	142.18	127.53	135.06	173.77	131.30	159.54
World Ex. UK (2068)	145.22	+0.1	118.72	136.64	122.09	137.68	+0.2	2.26	145.03	117.78	136.05	122.05	137.38	162.00	130.60	150.23
World Ex. So. Af. (2311)	147.43	+0.0	120.53	138.73	123.95	137.86	+0.2	2.52	147.36	119.68	138.25	124.01	137.59	161.64	131.95	150.63
World Ex. Japan (1917)	149.34	+0.3	122.09	140.53	125.57	137.87	+0.3	3.51	148.96	120.98	139.75	125.36	137.43	151.59	134.62	134.15
The World Index (2371)	147.69	+0.1	120.74	138.97	124.17	138.02	+0.2	2.52	147.59	119.87	138.46	124.20	137.73	162.05	132.25	150.60

Latest prices were unavailable for this edition.

RECRUITMENT

JOBS: Research shows recruiters do little to help students to make a good choice of work

The negative gamble of starting a career

By Michael Dixon

"DESCRIBE a very difficult experience in your life." The demand, made in a company's application form, would have nonplussed candidates with a lot more experience than the woman it actually confronted. A student soon to graduate at Birmingham University, she was seeking her first job.

"My mum died when I was 14," she told John Moore of the Harwood marketing consultancy during his recent study of 208 students' job-hunting adventures.

"Am I supposed to put down that I had to move house, move in with my father and stepmother – that type of thing? Or would they think I was too much of an emotive person? Or do they want you to put something like 'hitch-hiking on the Continent on my own'? What are they getting at?"

If rationality were the criterion, the right choice of answer would be plain. Given that the girl had come to terms with her mother's death well enough to describe it, how she had coped would surely constitute more relevant information to a prospective employer than her results in academic exams.

When a job is at stake, however, rationality's a risk. The revealing answer would probably also have been the right one had the demand been made face-to-face by a fairly senior manager skilled at interviewing. But a lifeless application form, that anyone might read, is a different thing.

While Mr Moore's report* does not say what choice the young woman made, my guess is that she opted for hitch-hiking. I daresay most readers, with the canniness born of hard experience, would gamble the same way.

My confidence about the Birmingham student's answer is based on the general findings of the research. Although new to job-hunting – and, rightly or wrongly, believing their services were in strong demand – they were taking the process more seriously than candidates with years of practice in hand. "You've got to stick in your first job for at least two or three years whether you like it or not," was a typical comment. "So you'd better not make a mistake."

The trouble was that their 16 years of formal education had left them with no knowledge of how to go about deciding what a good choice of job for them might be. And while the 208 final-year students questioned were all in Britain, I suspect that the same applies to their counterparts in most other countries too.

Their response to the bleak uncertainty was usually a sensible one. They anticipated that whatever post they took would be just a stepping stone from which, after the reputedly necessary two or three years stay, they would move to firmer ground. Even so, "they sometimes feel as though their whole life depends on picking the right stone," says the report.

It adds that the students' notion that the consequences of a wrong choice are catastrophic is not borne out by experience. Many people who choose wrongly, change jobs within months, and make a success of their second go. "It is a measure of the state of mind of finalists that these feelings, which have little objective basis, are held with such conviction. Ultimately they probably *increase* the chances of making a mistake in job selection, the costs of which are probably as great for employers as employees."

Alas, the study also found that the bulk of employers do little to reduce the undergraduates' chance of error. Companies swamp them with recruiting brochures which, even though expensively produced, rarely provide the data the targets want. Details of the tasks they would actually do upon joining are most noticeable by their absence, for instance. As a result, "students are forced to reach a final choice more by a process of elimination than positive affirmation of a particular choice."

The negativity of the job-hunt is worsened by further carelessnesses on the employers' part. They include subjecting students to incompetent interviewers, as well as lacing application forms with questions that have little chance of being answered in a useful way....

At which point, I suspect some readers will be feeling that the sufferings of students are being overplayed. There is a growing body of opinion that the prime effect of their privileged education is to give them expectations their abilities often fail to justify. Moreover, numerous employers are apparently cutting their intakes of graduates in favour of developing the skills of less scholarly staff already on their payrolls together with school-leaver recruits.

But while the Jobs column applauds such measures, which are surely long overdue, one thing seems clear. So long as employers seek to recruit students, no matter how few they may want, there is no sense in doing it badly – which, if Mr Moore is right, is how the great majority do it today.

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Company chariots

NOW to the table alongside which, as before, is drawn from the PA Consulting Group's yearly survey of executive fringe benefits in Britain. Anyone wanting full information on the results should contact Clare Austen at Hyde Park House, 60a Knightsbridge, London SW1X 7LE; telephone 071-235 6060, fax 071-823 1438.

My table is limited solely to the four-wheeled kind of perk. The top half starts with various engine-sizes of car. Then comes the PA consultancy's estimate of the annual worth of models in each size range to users who have to pay for fuel for non-business motoring. Next we have the value when the company funds fuel for up to 8,000 miles of private travel a year. The right-hand column shows the worth when all costs of the vehicle are met by the employer.

The figures are not adjusted for income tax.

The lower half shows how long – in mileage and time – different percentages of companies expect their chief executives, other directors, and the next most senior tier of managers to make do with the same old car.

WHAT PRIVATE USE OF A COMPANY CAR IS WORTH

Estimated £-per-year value of car to the employee when:

Engine capacity (cc)	No private-use petrol paid for	Petrol for 8,000 private miles p.a.		All petrol and costs paid for	
		Unleaded	*Leaded*	*Unleaded*	*Leaded*
1,000-1,400	2,547	2,968	2,997	3,072	3,109
1,401-2,000	3,070	3,561	3,595	3,683	2,727
2,001-3,000	5,262	5,931	5,978	6,098	6,157
3,001-4,500	6,708	7,444	7,496	7,628	7,693

HOW OFTEN COMPANIES REPLACE EXECUTIVES' CARS

Miles for which same car is kept	Chief executives %	Other directors %	Senior managers %	*Years for which same car is kept*	Chief executives %	Other directors %	Senior managers %
Up to 50,000	33	37	33	*Up to 2*	10	10	9
51,000-60,999	37	33	41	*2 to 3*	63	67	69
61,000-70,999	19	19	19	*3 to 4*	27	23	22
71,000-plus	11	11	7	*Over 4*	–	–	–

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REAL ESTATE

As one of the ABP-divisions Real Estate is responsible for the acquisition and management of real estate in the Netherlands and abroad. The fund's holdings in the Netherlands at present amount to 60,000 residential units and approximately 1.5 million square metres of commercial real estate. Since 1988, the Real Estate Division has also been operating abroad. Its target is to substantially extend the portfolio of foreign commercial real estate. The total capital invested in real estate is approximately 11 billion guilders. The Indirect Investments department is looking for

2 INVESTMENT MANAGERS FOR INDIRECT REAL ESTATE M/F

The positions involve maintenance of contacts with relevant market parties/ advisors in both the real estate and financial worlds; the development and maintenance of networks of contacts; negotiating participation in both exchange-quoted real estate funds and others; contributing from the field to strategic and tactical planning for indirect real estate acquisition; the active analysis and management of the existing indirect investments portfolio.

The positions require graduates with training in macro-economics and/or finance; relevant experience in the field of direct or indirect real estate; excellent commercial skills; thorough mastery of at least one other foreign language (by preference Spanish, Italian or French); willingness to travel.

The salary will be commensurate with the nature and seniority of the position.

The job is based in Heerlen (the Netherlands).

A psychological test may form part of the selection procedure.

Written applications, accompanied by a CV/Resumé, should be sent no later than two weeks after the appearance of this advertisement to the Head of Personnel, Real Estate, P.O. Box 4850, 6401 JN Heerlen, the Netherlands.

Further information can be obtained by telephone from Mr J. Klijnen, Head of Indirect Investments, tel. (31) (0)45-792186 and Mrs A. Engelen-Ritzen, Head Personnel, tel. (31) (0)45-792337.

Abp is the general pension fund for public employees in the Netherlands. In 1989, over 430,000 people received a monthly ABP pension. Approximately one million workers, including all public employees, contribute to the scheme. At present, about 87 per cent of the investment portfolio consists of fixed interest securities. However, the fund aims to decrease this percentage in favour of investments in real estate and shares. The total investment assets amount to Dfl 150 billion.

ABP

Senior Credit Analyst

Our client, a highly respected AAA rated European Bank is seeking an experienced Credit Analyst to join a small and highly focused team. Expansion in the department's activities has created the need for a Senior Analyst with wide experience of the credit assessment of major UK PLC's.

Ideally aged in your early 30's, you will be a graduate with at least 5 years solid experience. First class corporate analysis and PC skills are required together with evidence of formal credit training. Experience in the structuring of complex credits and related documentation would be an advantage.

This is an excellent opportunity to join a high quality organisation. The attractive salary and benefits package will fully reflect the importance attached to this key position.

To apply, please contact Lisa Booth at Austin Knight Selection on 071-439 5782 or send your CV to her at 20 Soho Square, London W1A 1DS. Please quote reference 227/LB/90.

Austin Knight

FIXED INTEREST FUND MANAGER

Clerical Medical is a major force in the investment world with assets under management of some £6 billion. Our products include life assurance, pensions and unit trusts.

If you are in your mid to late 20's with a minimum of 2 years' experience working in gilt/fixed interest and already have or are ready to take on fund management responsibilities, we have a first class career opportunity for you as an important member of our fixed interest investment team, managing both UK and International bonds.

Applicants should have a good degree, ideally in a mathematical subject or economics, although candidates from other disciplines will be considered if they have relevant business experience.

We offer a competitive salary together with a performance related bonus scheme. Other benefits include a non-contributory pension, private health care arrangements and a mortgage subsidy.

Please write with full CV including details of your present salary to Nick Morgan, Senior Personnel Officer, Clerical Medical Investment Group, The Little Adelphi, 10-14 John Adam Street, London WC2N 6HA.

Clerical Medical
INVESTMENT GROUP
THE CHOICE OF THE PROFESSIONAL

Management Information and Statistics Manager

– both a strategic and an operational role

Central London — c. £35K + substantial benefits

Our client is a renowned and highly successful International financial organisation. With a department of some eight people, the Head of Management Information and Statistics will support the senior management team in the provision and analysis of meaningful data concerning all aspect of business operations, and play a key role in recommending future strategy.

With a degree, most likely in economics and/or statistics (or a similarly biased MBA), you will have sound management experience in the processing of data and statistics for business advantage in major organisations. Highly numerate, and computer literate, you will possess the necessary commercial acumen, drive and interpersonal skills to influence strategic decisions.

In return, you are offered an expanding and dynamic atmosphere with attractive career growth. Salary is negotiable, and the benefits package includes car, mortgage subsidy and non-contributory pension scheme.

Please write with full details of career and current salary to Diana Cubberley, MSL International (UK) Ltd, Pilgrim House, 2-6 William Street, Windsor, Berkshire, SL4 0BA, quoting ref 48056.

MSL International

Kleinwort Benson Securities

EUROPEAN EQUITY RESEARCH

Kleinwort Benson Securities is a leading UK Securities House with an outstanding reputation for the quality of its European country research, being consistently highly rated in the major independent industry surveys. Building on this success Kleinwort Benson Securities is expanding its coverage of European stocks and wishes to recruit five individuals across a wide spectrum of the countries it covers.

Ideally, candidates will already be European analysts with two years experience as country researchers or possibly as pan-European sector analysts. Interested applicants in their mid-twenties with good honours degrees, demonstrable financial understanding and analytical skills will also be considered if they are fluent in one of Italian, French, German, Spanish or a Scandanavian language.

There is a degree of flexibility in terms of levels of seniority and specific geographical responsibility. There is therefore a corresponding degree of flexibility over remuneration levels, but these will prove to be attractive to individuals of the highest calibre.

For a confidential discussion, please contact ***Christopher Lawless*** *or* ***Stuart Clifford on 071-831 9988 (or 081-874 9417 evenings/ weekends.)*** *or write to* ***The Bloomsbury Group, 11th Floor, New Oxford House, 137 High Holborn, London WC1V 6PL. (Fax 071-831 4771.)***

THE BLOOMSBURY GROUP

EXECUTIVE · SEARCH · & · SELECTION · CONSULTANTS

Foreign Exchange Dealers/Brokers

Dean Witter, a US based securities and futures house, is expanding it's foreign exchange operation in London.

We are looking for FX dealers/brokers with experience in spot and forwards in all major currencies together with a sound understanding of futures and options. You should have a minimum of two years relevant experience in a banking or broking environment.

We offer a competitive salary and benefits package.

Please send a covering letter together with your c.v. to:– Miss Stephanie Patterson, Personnel Manager, Dean Witter Futures Limited, 1 Appold Street, 6th Floor, London EC2A 2AA.

DEAN WITTER

SMITH NEW COURT SECURITIES PLC

BEST EXECUTION DEALING SERVICE (B.E.D.S)

Smith New Court, the leading independent securities house, is seeking to expand its highly successful Best Execution Dealing team.

Candidates may apply from all levels. Ideally they should be aged 20-25 with at least two years dealing experience.

Applications and a brief resume should be forwarded in confidence to:

Mr Peter Foscoe
Personnel Department
Smith New Court Securities Plc
Chetwynd House
24 St Swithins Lane
London EC4N 8AE

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And International Stock Exchange
Registered in England No. 1317798

Group Compliance Officer

Morgan Grenfell, a leading international merchant banking and investment management group, is seeking a compliance professional to join its Group Compliance Department.

Reporting to the Head of Group Compliance, the successful candidate will have exposure to all the Group's business areas and consequently will need to be familiar with the requirements of the majority of the City's regulatory bodies. He/She will assist with the implementation and development of group compliance policy and will provide support to the divisional compliance officers in the interpretation and application of regulatory requirements.

The ideal candidate is likely to have an appropriate professional qualification with at least two years' practical compliance experience in a multi-service financial institution. The ability to communicate effectively and to make considered judgments under pressure is essential.

Remuneration will be competitive and will include an excellent banking benefits package.

Applications, including full personal and career details, should be sent to:

Gill Nash
Personnel Department
Morgan Grenfell & Co. Limited
23 Great Winchester Street
London
EC2P 2AX

MORGAN GRENFELL

CARR KITCAT & AITKEN...
...AND CLIENTS.
A REAL COMMITMENT TO AGENCY BROKING.

Carr Kitcat & Aitken brings together two long established London broking houses. The move confirms its position within a major international securities organisation which recognises that international strength is achieved only as a direct result of local expertise in the main trading markets of the world.

We now require two senior UK Institutional Equity Salesmen to join the team at our London office. A commitment to client service and a first-class record of achievement are essential prerequisites.

Telephone or write in the first instance to Guy de Froment.

CARR
KITCAT & AITKEN

Banque Indosuez Group

No. 1 London Bridge, London SE1 9TJ. Telephone: 071-528 0100.

DEVELOPMENT CAPITAL

Hill Samuel Bank Limited is expanding its development capital activities and has vacancies for individuals looking for career roles within a leading merchant bank which provides equity, mezzanine and senior debt facilities for development capital, management buy-out and buy-in transactions.

The successful candidates will work generally within two or three man teams on both new transactions and with existing clients. They will probably have either obtained formal accountancy or legal qualifications, or some industrial experience, before spending a minimum of 2 years with a mainstream venture or development capital organisation. Numeracy, good organisational and communication skills and an ability to build good working relationships with both clients and colleagues will all be required. The remuneration package available will fully reflect the experience of the candidates appointed.

Please send a full curriculum vitae, in strictest confidence to:

Miss Jean Geddis,
Personnel Officer,
Hill Samuel Bank Limited,
100 Wood Street,
London EC2P 2AJ.

HILL SAMUEL
MERCHANT BANKERS

A member of the TSB Group.
A member of The Securities Association.

TRUST/CORPORATE ADMINISTRATOR SWITZERLAND

We are an International Trust Company that requires a suitably qualified administrator for its offices in Switzerland.
The appointee will be expected to deputise for the manager whilst he is away from the office and should be conversant with all aspects of offshore company and trust administration.
A generous compensation package will be provided, including a contribution to relocation expenses, non-contributory pension scheme and medical expenses cover.

Please reply with full CV to:

The Managing Director
Case Postale 677
CH 2001 Neuchatel
Switzerland

A TURNAROUND SPECIALIST

Experience in general and operational management of medium to high tech batch manufacturing is required for a loss making, £15 Million turnover, company in a pleasant rural location in the south. The task is a 12 to 18 month assignment to lead an established management team in the execution of reorganisation plans leading to profit recovery.
Previous 'hands-on' experience of reorganisation in a loss making manufacturing environment is essential. Immediate availability required.
Realistic base salary plus achievement linked remuneration is offered.

Write Box A890, Financial Times, One Southwark Bridge, London SE1 9HL with CV giving full details of past experience.

Project Finance
£40-50,000

A major international bank is seeking a project finance specialist to become actively involved in financing large infrastructure, energy and real estate projects in the UK. Applicants should be graduates aged 27 to 32 with three years experience in a marketing/analytical role with a leading City bank.

Call Jan Perrin on 071-623 1266

Jonathan Wren & Co. Ltd., Recruitment Consultants No. 1 New Street, (off Bishopsgate), London EC2M 4TP Tel:071-623 1266, Fax:071-626 5258

Jonathan Wren Executive

FX Traders
Middle East Location

Our client is an important Arab-owned bank looking to strengthen its existing active trading desk with additional traders in deposits, spot/forward currencies and derivatives. Candidates should have at least three years experience, fluent in English and be self-motivated. Package includes, a tax-free salary and an attractive bonus scheme.

Call Brian Jarvis on 071-623 1266

Jonathan Wren & Co. Ltd., Recruitment Consultants No. 1 New Street, (off Bishopsgate), London EC2M 4TP Tel:071-623 1266, Fax:071-626 5258

Jonathan Wren Executive

FLEMINGS

ASSET MANAGEMENT
INVESTMENT ANALYST – FAR EAST EQUITY MARKETS

■

Robert Fleming is a major UK based investment bank with significant activities throughout the world. The Group manages funds in excess of £28 billion through its various international fund management operations. Robert Fleming Asset Management in London with £21 billion under management, is one of the largest international investment management companies in the United Kingdom.

■

The Group now wishes to recruit an Analyst to join its Far East fund management team. Flemings is a research driven organisation and the successful candidate will be expected to undertake significant responsibilities for researching East Asian equity markets and companies. This will involve a considerable amount of overseas travel.

■

Applicants should be graduates in their mid to late twenties with 2–5 years research experience in a leading investment management organisation or stockbroker, or will be a qualified Chartered Accountant whose career to date has preferably included some exposure to East Asian markets. Well developed analytical skills are vital as is the ability to present ideas clearly to senior management and clients.

■

A competitive salary and first class banking benefits package will be offered to the successful candidate.

■

Applicants should write enclosing their C.V. to:

David Weeks
ROBERT FLEMING & CO. LIMITED
25 Copthall Avenue, London EC2R 7DR

Chartered Secretary
for
International plc

c£32,500, Car

North West

This is a senior management appointment within an international plc with extensive interests in retail, financial services and property.

Reporting is to the Company Secretary whose responsibilities are heavily weighted to financial management and more specific corporate issues. It will be evident therefore that the Assistant Company Secretary has a significant role to play handling all statutory legal and secretarial matters – maintaining necessary registers, legal documents, minute books, dealing with corporate correspondence, submitting annual returns, etc. This is the routine which must be actioned to the highest professional standards, but the duties will be much wider, and advice and involvement will be sought in many areas appropriate to the group's diverse activities.

It is a career opportunity and will appeal to a qualified AICS, aged probably under 40, who has broad practical experience in a plc and is now seeking greater responsibility, authority and a higher level of business participation.

The fringe benefits are those appropriate to a major group including private health cover and realistic relocation assistance.

Candidates should send a comprehensive c.v. or telephone for an application form to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester, M3 2LE. Tel: 061-839 2000 quoting reference (F.T.440A).

Howgate Sable

EXECUTIVE SEARCH AND SELECTION

Solicitors
£28-40,000

Several City-based banks are seeking applications from both newly qualified and post qualified solicitors from top City firms or with prior banking experience. Vacancies are in a range of activities including swaps documentation, corporate finance, transactions and leasing.

Call Norma Given on 071-623 1266

Jonathan Wren & Co. Ltd., Recruitment Consultants No. 1 New Street, (off Bishopsgate), London EC2M 4TP Tel:071-623 1266, Fax:071-626 5258

Jonathan Wren Executive

Mergers & Acquisitions

NCNB is a major U.S. banking and financial services group which, through its subsidiary Panmure Gordon & Co. Ltd., has a strong commitment to the London market. A highly motivated professional is required to join the International M. & A. Department. As a senior member of the bank's new London based M. & A. team, this key position will involve generating middle market cross border and domestic opportunities.

Ideally, candidates will be aged between 35 and 45, professionally qualified and have a successful track record in M. & A. in the City. Experience in European/USA cross-border transactions is preferable.

An attractive remuneration package is offered commensurate with the position. Applicants should contact Marion Howells, Personnel Manager, NCNB National Bank, 14 Moorfield's Highwalk, London EC2Y 9DS, in writing or by telephone on 071 588 9133.

NCNB

NCNB National Bank is a subsidiary of NCNB corporation.
Panmure Gordon & Co Ltd is a member of TSA.

SMITH NEW COURT PLC
TRADED OPTIONS DEALERS

Smith New Court, a premier UK Securities House, is seeking to expand its Traded Options team.

They wish to recruit a number of ambitious, self-motivated traded options dealers. The successful candidates will be risk orientated and will possess the competitive instinct crucial to succeed in this sector. Additionally, they will offer approximately two years' experience within derivative products.

These positions offer a highly competitive compensation package together with the opportunity to join a high profile market leader.

For further details please contact, or write in confidence to :-

Miss L.M. Holbourn, Personnel Manager, Smith New Court Plc, Chetwynd House, 24-30 St. Swithin's Lane, London EC4N 8AE.
Tel: 071 626 1544 Fax: 071 626 5359

Equity Analysts/Sales
£20-40,000

European bank requires both junior and senior UK/European equity analysts/sales persons. Wide knowledge of UK/European equity market research/sales required and in some cases fluency in a European language. If you are educated to 'A' level/degree standard and have the personality to work within small specialist teams...

Call Norma Given on 071-623 1266

Jonathan Wren & Co. Ltd., Recruitment Consultants No. 1 New Street, (off Bishopsgate), London EC2M 4TP Tel:071-623 1266, Fax:071-626 5258

Jonathan Wren Executive

ICARDA

announces an international senior staff position for:

DIRECTOR OF FINANCE

Organization ICARDA, one of 13 international centres supported by the Consultative Group on International Agricultural Research, cooperates with National Programmes in West Asia and North Africa (WANA) to develop sustainable improvements in dryland cereals, food legumes, farm resources management, pasture, forage, and livestock production. ICARDA's multi-disciplinary staff of over 60 senior scientists and 600 technical and support personnel has an international mandate for barley, faba bean, and lentil production improvement and-with other centres - a joint regional mandate for wheat and chickpea production improvement.

Position Under the overall supervision of the Deputy Director General (Operations) the DIRECTOR OF FINANCE is responsible for the day-to-day operation of all accounting functions: the administration, coordination and control of a multi-million dollar budget; internal and external financial reporting; cash disbursement and management. The position is responsible for maintaining efficient and effective financial monitoring and reporting procedures for each of these activities and for advising management on all issues relating to them.

Qualifications Earned university degree in accounting or finance; hold a recognised professional accounting, CPA, ACA, ACCA, or equivalent qualification; have a minimum of 10 years relevant international experience; ability to effectively work with individuals of various disciplines and nationalities; knowledge of computerised systems, and experience in the use of mainframe and micro computers; excellent command of spoken and written English. An MBA and knowledge of Arabic would be desirable.

Post The position is based at ICARDA's modern headquarters and main research station located in a rural setting 30 km from Aleppo, Syria.

Benefits Salary paid in US dollars based on experience and qualifications. Benefits include; a housing allowance, paid home leave travel, a contributory retirement and health package, provided car, free enrolment for dependents at the ICARDA-administered international school (K-12), and other internationally competitive conditions of service.

Application Applications are invited from those able to obtain a four or five year leave of absence from present employment as well as from those in continuing employment. Interested, fully qualified applicants should send:

1.) two copies of a curriculum vitae with recent salary history;
2.) names, addresses, and telex numbers of two professional referees;
3.) photocopies (non-returnable) of other relevant supporting documents,

to: Dr. N.R. Fadda, Director General
ICARDA, P.O. Box 5466, Aleppo, Syria
telex: 331208 ICARDA SY, or 331263
ICARDA SY
telephone: (963-21) 213433, 213477, or 234890

REFERENCE: please quote position no. DG/14/90 on application.
SELECTION PROCESS BEGINS: 15 September 1990.
ICARDA is an equal opportunity employer.

FINANCIAL SOFTWARE

CAPITAL MARKETS – UK & EUROPE

CATS Software is a highly successful California based developer of software for fixed income derivative instruments. Since it was formed four years ago it has installed systems on trading floors and operations areas all over the world.

Having firmly established the London operation the company plans to expand aggressively into Europe.

They now seek to make several key appointments.

Consultant/Market Specialist £negotiable

You will act as a key source of market knowledge within CATS. You will be actively involved in pre-sales situations and will have a high level of contact with their users.

You must possess a detailed understanding of the Capital Markets, particularly SWAPS, probably gained in a trading capacity. Comfort with technology is important as will be an ability to communicate clearly and concisely at all levels.

Account Manager c£55,000 OTE

You will be responsible for managing and growing the existing client base in both the UK and Europe. A good relationship builder you must be familiar with back office accounting in the trading environment and will probably have performed a similar role in a software/systems house or consultancy.

Customer Service Executive c£30,000

You will be involved in all aspects of service including installation, training and user support. Combining good interpersonal skills with a sound technical background you should have a good understanding of networking and communications and will ideally have gained experience in DOS and UNIX. Exposure to the Capital Markets would be of interest.

For all these positions a willingness to travel is essential and a European language would be of interest.

CATS Software is emerging as a major force in the marketplace if you want to play a key role in the early stages in its growth act now.

To apply please contact Paul Chambers, Recruitment Consultant on:–
071 379 5252 (during office hours)
Alternatively send a detailed CV quoting Ref: PC/2507/0 to:–

CATS
LESS RISK MORE MANAGEMENT

Greenfield Human Resources
Norman House
105–109 Strand
London WC2R 0BZ
Fax Number 071 379 4797

GREENFIELD

The Food and Agriculture Organization of the United Nations invites applications for the post of

CHIEF, MARKETING AND CREDIT SERVICE AGRICULTURAL SERVICES DIVISION

at its Headquarters in Rome, Italy

- Responsibilities: Plan, coordinate and supervise the work of professional agricultural marketing and credit officers and general service support staff in the fields of agricultural marketing, agricultural credit, rural finance and risk management. Represent FAO at international and national meetings on agricultural marketing and credit and develop and maintain close working relationships with other UN agencies, FAO Member Governments, non-governmental organizations and professional bodies dealing with agricultural marketing and rural finance aspects. Provide guidance and inputs to the Service's work programme, information exchange, development of human resources, technology innovations and management of agricultural marketing and credit inputs in the agricultural and rural development process.
- Requirements: University degree in Agricultural Economics, Commerce or other related subjects, with advanced degree(s) and specialization in agricultural marketing and/or banking. At least fifteen years of progressively responsible experience in agricultural marketing and/or agricultural credit/rural finance applications, including substantive operational experience in developing countries. Working knowledge of English and basic knowledge of French and/or Spanish. Proven managerial, leadership and communication capability. Ability to establish and maintain effective working relationships with people of different national and cultural backgrounds. Willingness to use word processing equipment.
- Benefits: Relocation, tax free salary, cost-of-living adjustment, education grant and other benefits of the International Civil Service.

Please send detailed curriculum vitae not later than 30 August 1990, quoting "Chief, AGSM", to Central Recruitment, FAO, Via delle Terme di Caracalla, 00153 Rome, Italy.

Williams de Broë

Equity Sales to Europe

We wish to recruit additional experienced salesmen for our team selling European and U.K. equities to European/international clients.

In particular we would like to add to our existing coverage of German institutions.

Contact:

Martin Smith
Williams de Broë Plc
P.O. Box 515, 6 Broadgate, London EC2M 2RP
Telephone: 071 - 588 7511

Operations Officer: Securities

The successful Investment Management Subsidiary of a major International Bank is looking to recruit a highly motivated individual within the operations department.

Detailed knowledge of securities markets incorporating futures and options, as well as good communication skills and strong staff development qualities are a pre-requisite.

The main responsibility of this new and challenging position, reporting to the Head of Operations, will be to project manage the implementation of a new system.

The candidate should therefore have sound knowledge of mini/PC based systems and be fully conversant with all the latest technological developments.

Remuneration will be very competitive and the usual bank benefits will apply. Candidates desirous of working on a contract basis may also apply.

Please submit a C.V. to:-

GORDON BROWN & ASSOCIATES LTD.
RECRUITMENT CONSULTANTS

5TH FLOOR, 2 LONDON WALL BUILDINGS,
LONDON EC2M 5PP
TEL: 071-628 7601 FAX: 071-638 2738

Gordon Brown

COMMERCIAL MANAGER

(Appointed Representatives)

Salary £26K-£29K

Scottish Amicable is one of the country's leading Life Assurance Offices, with over one million policy holders and around £9,000 million in funds under management.

The Society has, over the past 15 months, opened a new distribution channel to market our products through Appointed Representatives and it is anticipated that their number will increase substantially by the end of 1990 and beyond.
The importance of maintaining and improving our appointment, control and support service to Appointed Representatives has led to this senior opportunity.

We require a Commercial Manager, to be based at our Glasgow Head Office, who will work with the National Sales Manager (Appointed Representatives) in this policy making post. He/she will control an administrative team and work with professional colleagues in legal and accounting areas at Head Office and with Business Development Managers and Consultants in our Branches — deciding on the appointment of new Appointed Representatives and their ongoing business prospects. Some travelling away from base to meetings with our staff, Appointed Representatives and their Professional Advisors will be involved.

Educated to degree level (preferably in a numerate discipline), you must demonstrate substantial banking or accounting experience, with an emphasis on commercial acumen. You must also possess negotiating and man-management skills.

In return we offer a starting salary in the range £26,679 to £29,221, a challenging environment and benefits that include a fully serviced executive car, subsidised mortgage facilities, non-contributory pension and private health insurance schemes and subsidised restaurant. Relocation assistance will be provided where appropriate.

Please send your full C.V. to:
Mr. W. A. M. Williamson M.A., A.C.I.I., Staff Manager (Recruitment & Training), Scottish Amicable Life Assurance Society, Craigforth, P.O. Box 25, Stirling FK9 4UE.

SCOTTISH AMICABLE
LIFE ASSURANCE SOCIETY

FT TV

FINANCIAL TIMES TELEVISION

Financial Times Television is starting a worldwide radio service from mid-September, based at Financial Times headquarters in London.

Applications are invited from practised financial journalists with a keen interest in international business. Those considered will also have to demonstrate broadcasting potential and an ability to write concisely. Salary according to experience.

Applications in writing only to:-

Alastair Osborne
Financial Times Television
Number One Southwark Bridge
London SE1 9HL

FOREIGN EXCHANGE CONSULTANCY/DEALER - BI LINGUAL

WINDSOR ATTRACTIVE £ + BENEFITS

The Position involves provision of advice to multinational corporations and banks on foreign exchange currency exposure. It also requires active involvement in the management of currency funds.

The Ideal Candidate will have a degree in finance or economics with experience in currency markets an advantage. Fluency in both Italian and English is however essential.

Please send full CV and covering letter to:

Mr Donald R. Lewis, Managing Director
Fintech (UK) Limited, 14 High Street, Windsor, Berkshire SL4 1LD

BALLIOL COLLEGE OXFORD OX1 3BJ SENIOR RESEARCH FELLOWSHIP IN MANAGEMENT

Applications are invited from men and women for a Senior Research Fellowship in Management, at Balliol College. The appointment is for three years from January 1991 or another mutually agreed date. The University is also crently considering the establishment of a new School of Management. If this occurs the holder of the post now advertised would be able to apply for appointment to any new post which might be offered jointly by the College and the University in conjunction with the establishment of the new School. A background which includes Engineering or Economics or both may be an advantage as would a willingness to undertake a certain amount of teaching but these are not essential requirements. Applications, including a curriculum vitae, should be submitted by 21 September 1990 to the College Secretary, Balliol College, Oxford OX1 3BJ, from whom further details may be obtained.

BALLOIL COLLEGE IS AN EQUAL OPPORTUNITIES EMPLOYER

SMITH NEW COURT PLC

MANAGER - DEALING ROOM OPERATIONS

City Based to £40,000

Smith New Court plc, one of the UK's leading Securities Houses, is seeking to recruit an energetic, self-starter to manage the operations of their highly successful dealing room.

Managing a small team, the successful candidate will be responsible for providing all operational support for the UK Market Making, Agency and International Trading activities. This critical role will involve managing the physical environment and ensuring that all dealing room technology is functional at all times. Smith New Court's City relocation, in early 1991, will add an additional challenge to this position. As such, it will provide the opportunity to make a major contribution to the future success of the business.

The successful candidate should have experience of working within or supplying services to dealing rooms, preferably in the securities sector. Additionally, they will combine outstanding organisational skills with a service orientation, and the confidence and diplomacy to deliver in a pressurised and time sensitive environment.

Applications should be forwarded in confidence to **Gill Pembleton** at:

WELL COURT ASSOCIATES
11 Well Court, London EC4M 9DN
Tel - 071 236 0723 Fax - 071 489 8305
FINANCIAL RECRUITMENT CONSULTANTS

Vincent Knight Sanchez

Actuarial Recruitment

Call to discuss, in complete confidence, positions available for actuaries to director level. Opportunities in life, pensions, general insurance, investment and management consultancy.
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Rupert Emerson,
Justine Allen-Vercoe
081 540 7400: Office
081 543 1504: Evening/Weekend
108 Kingston Road, Wimbledon, London SW19
No charge to applicants. Employers charged only on the basis of a successful introduction.

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If the answer is yes and you would be interested in making a move to one of the world's leading International Bank's to trade either Yen, D. Mark, cable or related crosses then please contact:-

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

CORPORATE FINANCE DIRECTOR

London c£100,000 + Bens + Equity Participation

Substantial International Venture Investment & Corporate Finance advisory group, seek a self-motivated and commercial individual aged 28 to 35, probably with an accountancy, legal/MBA qualification. Three years experience in a leading UK Financial Institution are essential.

All enquiries will be treated in the strictest of confidence, and should be addressed to
Box A892, Financial Times, One Southwark Bridge, London SE1 9HL

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

CHIEF OF DEFENCE PROCUREMENT

Applications are invited for the post of Chief of Defence Procurement at the Ministry of Defence, to succeed Sir Peter Levene in 1991.

The Chief of Defence Procurement is a member of the Defence Council and heads the Ministry of Defence's Procurement Executive. In 1989/90 the Executive spent some £8 billion on defence equipment and placed 40,000 contracts, making it British Industry's largest single customer.

As Chief of Defence Procurement, you will be responsible to the Secretary of State for obtaining the best overall value from the procurement budget and will do this through your commitment to a commercially effective approach which takes full advantage of a competitive market. You will also act as Accounting Officer for the procurement vote and in this capacity will appear frequently before the House of Commons Public Accounts Committee.

You should have a proven track record in managing a substantial organisation, including the management of change on a large scale. *Some commercial experience at a very senior level is also desirable.* We are looking for someone of considerable personal standing, with *the authority and skills to deal at the highest level with Government,* the Armed Forces and industry, and with counterparts abroad, in particular our partners in Europe and America. The post involves considerable travel abroad and a knowledge of one or more foreign European languages would therefore be an asset.

The post is based in Whitehall, but the major part of the Procurement Executive will be located in the Bath/Bristol area in 1993.

The appointment will be at Permanent Secretary level and will be for *an initial period of three years, with the possibility of further* extensions. Remuneration will be negotiable according to qualifications and experience, and relocation assistance may be available.

If you would like to be considered, please write *enclosing a full cv,* giving the names of two referees who may be approached in *confidence, to Mr T Spiers at the Civil Service Commission*, Alencon Link, Basingstoke, Hants RG21 1JB, or telephone him on Basingstoke (0256) 846445, fax (0256) 846565. Closing date for applications is 31 August 1990.

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MINISTRY OF DEFENCE

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Managing Director, Company Services will be primarily a business development role in respect of listed company clients. This calls for a corporate finance or company secretarial background with appropriate professional and academic qualifications, together with proven business development skills and a clear understanding of operational issues and systems. Investor relations experience, particularly in the field of private shareholder communications, would be advantageous.

Managing Director, Investor Services will have primary responsibility for the *efficient and effective operation and business development of share services for* private investors. These will include share portfolio reporting, dealing and investor information. This calls for a professional and "hands-on" approach to business management, including a proven "ability to deliver", and an up to date understanding of computer systems and their capability. The successful candidate will probably come from a retail stockbroking background and will possess appropriate investment business, professional and academic qualifications.

Interested candidates should send a full CV and daytime telephone number quoting reference LM225 to Peter Sabine, Spicers Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

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A multi-national tour company, the world leader in its area of operation, requires a Managing Director for its operating company, located in central London.

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Written application to: Box No. A891, Financial Times, One Southwark Bridge, London SE1 9HL

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071 873 4027

FEDERAL MINISTRY OF AGRICULTURE AND NATURAL RESOURCES

NATIONAL LIVESTOCK PROJECTS DIVISION
P.M.B. 2222
KADUNA, NIGERIA

VACANCIES

Applications are invited from qualified specialists to implement the World Bank assisted Second Livestock Development Project in Nigeria. The positions are:

1. CHIEF LAND USE PLANNER

Qualifications required: A degree in Agriculture or Livestock Production with a post graduate qualification in resource planning or conservation. Alternatively a minimum of 10 years experience in practical implementation of large scale agricultural or livestock enterprises, large scale land use planning, dam and road design and construction, soil and water conservation detail planning and implementation. Experience in development modelling and basic project analysis, sectoral planning and the production of detailed reports and feasibility studies to a standard acceptable to international funding agencies is required. Experience in the use of micro-computers is also required.

2. HEAVY EQUIPMENT SPECIALIST

Qualifications required: A formal qualification in agricultural, mechanical or civil engineering, chartered or incorporated engineer with a minimun of 10 years experience in the maintenance and deployment of heavy earthmoving equipment for road, earth dam construction and land clearing in a developing country. In addition he should have not less than 5 years experience, at a senior level, in the operation of a medium sized, light and heavy, vehicle and equipment, maintenance workshop.

3. CREDIT SPECIALIST

Qualifications required: A formal qualification in Agriculture or Livestock, with at least 10 years field experience, 5 of which must have been spent in a senior position in small holder credit operations in a developing country. Experience in the use of micro-computers is essential and experience with the formation and operation of rural co-operatives would be an advantage.

4. TECHNICAL CONTROLLER

Qualifications required: A formal qualification in Agriculture or related discipline with a post graduate degree in a livestock related field. At least 10 years experience in livestock development and research which should include applying research findings to small holder livestock production, the design and implementation of practical field trials and animal nutrition.

5. SENIOR MONITORING AND EVALUATION SPECIALIST

Qualifications required: First degree in Agriculture or Livestock is essential and a second degree in Computer Science, Information Technology or related discipline would be an advantage. The candidate must be an experienced micro computer user with at least 5 years experience in the monitoring and evaluation of development projects, including collection, analysis and evaluation of base data.

6. DAIRY SPECIALIST

Qualifications required: First degree in Agriculture or Livestock with a secondary qualification in dairying. At least 10 years experience is required in commercial and smallholder dairy production in a developing country. In addition experience with producer co-operatives and the collection, processing and marketing of dairy products is esential.

7. INFORMATION SYSTEMS SPECIALIST

Qualifications required: A degree in Computer Science, Information Technology or related discipline is essential. The candidate must be an experienced micro computer user with at least 7 years experience, at a senior level, in public sector information management, in a developing country, in the agriculture/livestock fields. Experience in the design and implementation of a national data collection system, its analysis, evaluation and promulgation would be an advantage.

8. LIVESTOCK SECTORAL PLANNING SPECIALIST

Qualifications required: A first degree in Agricultural Economics is essential with a second degree in the broad field of Development Planning. At least 5 years experience is required in sectoral planning, preferably in the agriculture/livestock field. A familiarity with resource assessment is essential as is previous experience in the formulation and presentation of national, sectoral development policies and implementation strategies.

Terms and Payment

The successful candidates will be initially offered two year contracts. Remuneration will be at a competitive international level, comprising a basic salary, overseas allowance and terminal gratuity will be offered. All payments are free of Nigerian tax. Other benefits include allowances for dependants, education, installation and shipping of personal effects; free housing and utilities; paid home leave of 30 working days per annum.

Method of Application

Candidates are required to submit 5 copies of their personal data, certificates and other credentials to:

The Project Manager
National Livestock Projects Division
9 Hospital Road
P.M.B. 2222
Kaduna
Nigeria

or

The Project Manager
National Livestock Projects Division
c/o The Chairman
Zurich Commercial Ltd
117 Hanover Road
London NW10 3DN
U.K.

Applications should be received within one month from the date of this advertisement. Only short listed candidates will be invited for interviews.

ACCOUNTANCY COLUMN

West's advice helps balance eastern books

By David Waller

HIS EXCELLENCY Ambassador Vladimir Shemiatenkov, head of the Mission of the Soviet Union to the European Communities, had a strong message for the delegates to the Institute of Chartered Accountants' first overseas conference earlier this month.

There would be no real reform of the economy in his country, he warned his Brussels audience, without reform of Soviet accounting. Moreover, there would be no wide reform of the economy if there were no *perestroika* – restructuring – of the attitudes of Soviet accountants and managers, too. There would, he concluded, soon be a free market in the Soviet Union, but only "if you – the accountants and the managers – can keep hold of it".

His speech won much applause, not only because of an impish humour that is rare in ambassadorial circles and rarer still at conferences of the institute – representing England and Wales – but also because the audience knew that it could do much to help with restructuring and to help eastern accountants and managers think more commercially.

Since the very first glimmerings of *glasnost* and *perestroika*, the accountancy firms have been eyeing Soviet and other east European markets. Hungary has been in the vanguard of westernisation and a number of the bigger firms have been active in Budapest since late 1988. Now they are present in many other capital cities in eastern Europe. About a month ago, Arthur Andersen and Ernst & Young became the first western firms to be formally licensed to conduct audits in the Soviet Union.

As a measure of the pace of change in Russia, Soviet enterprises are now seeking to have their figures published in accordance with international accounting principles.

AKF Sovcomflot, a large Soviet shipowner, did just that earlier this week, releasing Western-style figures endorsed by Inaudit – the Soviet audit organisation in Moscow – and by Moore Stephens in London. Moore Stephens is, incidentally, one of the few medium-sized firms to have made a serious assault on the eastern market: it was the first to set up an office in Poland, by forming a joint venture in May 1989.

A course on western principles of valuation is listened to attentively by Hungary's would-be entrepreneurs

The work that western accountants are doing in the east falls into two broad categories: they are either advising western companies on their investments into the east or helping eastern enterprises to "privatise" themselves prior to doing a deal with the West.

As an example of the first, Arthur Andersen helped Mrs Barbara Piasecka-Johnson, the Polish-American heiress, in her ultimately fruitless negotiations to buy the Gdansk shipyards. In the second category, Price Waterhouse helped to prepare Tungsram, the Hungarian lightbulb manufacturer, for its sale to General Electric of the US.

It also acted as reporting accountant to the first full flotation of an eastern bloc company on a western stock market, that of Ibusz, the Hungarian travel company, which floated on the Vienna stock exchange early last month.

The firms are also arranging a lot of training of east-bloc managers and accountants: Maggie Mullen of Coopers & Lybrand Deloitte in London frequently flies to Budapest to teach a course on the western principles of valuation, which is listened to attentively by Hungary's would-be entrepreneurs.

Valuation is one of the knottiest problems facing accountants and managers in the East, highlighting the differences between east and west.

The most recent illustration is the 23-times-oversubscribed Ibusz flotation. Because there was heavy demand for such a novel issue, the share price soon stabilised at a price double that of the public offering, giving the company a market capitalisation of some $180m (£98.6m). Investors in British privatisation issues may be familiar with the principle of a sell-off premium, but Hungarian politicians were not.

In the first week of this month, leading members of the Hungarian Democratic Forum, the dominant party in the government, attacked the flotation as a scandalous "selling-out of Hungarian national property". In other words, they were arguing that the company was woefully underpriced in the flotation and that the country's best assets were being plundered by unscrupulous western capitalists.

This is not the first example of a fuss over valuation. Controversy has surrounded the privatisation of four other Hungarian companies: Apisz Stationery; Tungsram itself; Hungaria Bizosito, an insurance company; and Hungar Hotels. In the latter instance, the Budapest Supreme Court intervened to unscramble the sale of the hotels chain to a Scandinavian investor on the basis that the price was far too low.

Figures are rejigged so that they show whether an eastern company made a profit rather than a number of widgets

The valuation process starts off with a restatement of the east European enterprise's historical figures according to western accounting standards. According to Graham Walker, a partner in Arthur Andersen, the basic data tend to be reliable, but the figures have not been used by managers in the same way as in the west. That is not surprising: in a command economy, the purpose of an enterprise is to meet production targets, not to generate profits.

The figures have to be rejigged so that they show whether the company made a profit rather than a number of widgets; then they have to be adjusted further. How much profit has to be added on or knocked off to reflect the value of barter deals with other Comecon countries? What is the real asset base after years of inflation, and how will it change? Will sales and prices rise, as the economy in which the company operates is westernised? By how much will costs rise when government subsidies are taken away?

Once the accountants have made up their minds on those imponderables, they have to calculate likely future cash flows, working out the present value of the business using a discount rate to reflect political and other risks associated with the investment. In deciding what sort of return is acceptable, the western investor may have to take on board a trade-off between poor financial performance in the short term and the strategic benefits of establishing a foothold in a potentially vast market over the long term.

Eastern accountants have picked up enough of western financial thinking to know that intangible assets often have a value beyond that which appears in the financial statements. Hence there is often an "expectation gap" between what the vendor thinks is a good price, and what the purchaser is prepared to pay. Fierce haggling is likely to ensue.

That is often frustrating for western businessmen in the east: but it is also a sign that eastern managers are becoming as wily and sophisticated as the westerners.

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A major Saudi contractor has an immediate need for a detail-orientated, hands-on executive to manage the accounting function of this rapidly expanding multi-division Company. The desired candidate must be a proven, effective trainer, developer and motivator of professional people. He must have a results-orientated managment style, a team player attitude, excellent communication skills and extremely high work standards.

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Fluent English and Arabic. BS degree in accounting, CPA or CMA preferred. Minimum 10 years in a supervisory position. Indepth micro and mini computer experience. Policy and procedure development and implementation experience necessary.

The position offers growth potential and leads to a Chief Financial Officer position. Please forward resumé and salary history to:-

Finance Director, Nesma Ltd, P.O. Box 7195, Jeddah 21462, Arabia

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The duties will include the day to day financial management, company secretarial duties, enhancement of the computerised system and preparation of monthly management accounts - reporting and assisting to the Managing Director, and the holding company abroad.

Write Box A888, The Financial Times, One Southwark Bridge, London. SE1 9HL

ACCOUNTANCY APPOINTMENTS

GROUP FINANCE DIRECTOR

Expanding Plc

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A high calibre graduate chartered accountant is required to take on the role of Group Finance Director because of the impending retirement of the incumbent.

The person appointed will take responsibility for all financial, accounting, treasury and company secretarial functions within the Group. This will involve close liaison with operating units and subsidiaries in the UK and US. Initially there will be a focus on the development of management information and the enhancement of computerised systems to ensure they can support the anticipated expansion of the Group.

Candidates should currently be in a senior finance role, ideally in a customer-led manufacturing group. In personal terms, you should be confident and self-sufficient, able to exercise initiative and willing to become involved in all commercial aspects of the business. The ability to prioritise a wide range of issues, to cope under pressure and to meet deadlines is essential.

This is an opportunity to join a successful group with exciting development plans. The remuneration package will include profit sharing, share options, executive car and personal pension.

Please reply in confidence enclosing career details quoting reference B0183 to Anne Routledge.

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The Finance Director will be crucial in creating the strategy, management structure and daily operations for this financially independent company with predicted turnover in the order of £100m. Reporting directly to the company MD, you will take an overall view of the entire finance function, establishing and managing the accounting systems, investment planning, capital funding – including potential joint venture initiatives – and financial controls, as well as costing and performance indicators. Your professional standards, planning skills and forward-thinking will be vital to the success of a company that will compete in both public and private sectors.

You will be a fully-qualified professional (CIMA, ACA, ACCA or CIPFA) with the flexibility of approach and detailed mind necessary to realise the huge potential of this company. While a background in the public sector would prove useful, sound experience in the private sector is essential.

An excellent salary is offered, for a position which is immediately available, with a benefits package that includes car, BUPA, contributory pension scheme and concessions on first-class rail travel.

If you are interested, please write, enclosing your CV, to Malcolm Ramage, Head of Personnel, BR Telecommunications, Tournament House, Paddington W2 1HQ.

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Tax Accountant

Blue-chip US multinational offers exceptional prospects to a young Qualified ACA/ACCA seeking broader experience in a specialist field. Reporting to the Tax Manager, you will be developing your corporation tax skills further, gaining exposure to international procedures and becoming conversant with revenue accounting. ATII study assistance available for a career- minded individual. Ref: 22137C1

Contact The Manager at 26 Commercial Way, Woking 0483 771445
Or the PQE Specialist advising on this appointment on 071-489 9997

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Corporate Analyst

High calibre investment bank offers a stimulating role which involves analysing, evaluating and reporting back views and recommendations on clients financial status and management. You will perform research into economic and industry trends and provide critical information in the formulation of lending decisions. The benefits will include 6 weeks' holiday and excellent banking concessions. Ref: 65170

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Or the PQE Specialist advising on this appointment on 071-489 9997

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Fast expanding hi-tech manufacturer offers a line management role to a young ACA/ACCA/ACMA who is seeking broader financial accounts experience in a stimulating environment. Features US reporting, monthly profit and loss and balance sheet preparation. A new position with a well established US Multinational which provides scope for further development. Ref: 26117C2

Contact the Manager at 103 High Street, Maidenhead 0628 72932
Or the PQE Specialist advising on this appointment on 071-489 9997

WEST LONDON to £25,000

Management Accountant

This young computer group offers a key role at its Head Office to perform group management accounting for its UK and European subsidiaries. Your work will include margin analysis, consolidations of management and financial accounts, control responsibility for distribution and special projects. The environment is young, team-orientated, professional and highly computer literate. Ref: 27206

Contact The Manager at 380 Chiswick High Road W4 081-995 3601
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Qualified Accountant

An opportunity for a young, dynamic CIMA/ACCA within this financial services organisation to use your costing experience to undertake detailed financial analysis and liaison with marketing professionals regarding development of new products. You will also be expected to financially appraise related capital expenditure proposals. Excellent benefits will include concessionary mortgage facilities. Ref: 881720

For further information, contact the PQE Specialist advising on this appointment at 76 Cannon Street EC4 on 071-489 0403

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Contact The Manager at 13 Frederick Street, Edinburgh 031-226 3686
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FEDERAL MINISTRY OF AGRICULTURE AND NATURAL RESOURCES

NATIONAL LIVESTOCK PROJECTS DIVISION
P.M.B. 2222
KADUNA, NIGERIA

VACANCY

Applications are invited from qualified accountants to implement the World Bank assisted Second Livestock Development Project in Nigeria. The position is:

FINANCIAL CONTROLLER

Qualifications required: ACA, ACMA, or CPA, member of a recognised professional body of accountants. The Financial Controller should have leadership qualities and have at least ten years experience at a senior level in a large public corporation or equivalent commercial experience. Experience in large scale development projects, international procurement and use of computers is required.

Terms and Payment

The successful candidate will be initially offered a two year contract. Remuneration will be at a competitive international level, comprising a basic salary, overseas allowance and terminal gratuity will be offered. All payments are free of Nigerian tax. Other benefits include allowances for dependents, education installation and shipping of personal effects; free housing and utilities; paid home leave of 30 working days per annum.

Method of Application

Candidates are required to submit 5 copies of their personal data, certificates and other credentials to:

The Project Manager
National Livestock Projects Division
9 Hospital Road
P.M.B. 2222
Kaduna, Nigeria

The Project Manager
National Livestock Projects Division
c/o The Chairman
Zurich Commercial Ltd
117 Hanover Road
London NW10 3DN
U.K.

Applications should be received within one month from the date of this advertisement. Only short listed candidates will be invited for interviews

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Ideal candidates will be 'Big 8' trained ACA's (aged 26-30) with 3-5 years' PQE. Financial services experience, although required, could be gained either within or without the profession.

Please apply directly to Mark Ehrlich at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 071-836 3545, or evenings on 081-556 3615. Alternatively, fax your details on 071-836 4942.

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Financial Controller

South London

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As Financial Controller of the main operating company you will report to the Group Finance Director. Your responsibilities will include the preparation of statutory and management accounts, budgets and forecasts; the ongoing development of financial systems; the integration of acquisitions into the Group, and the provision of expertise to operational management.

This challenging role requires a qualified accountant, aged at least 30, with service sector experience. In addition to excellent interpersonal and man-management skills, and a hands-on approach, you must have the potential to achieve directorship within twelve months.

Please reply in confidence, giving concise career and salary details and a daytime telephone number, quoting ref. 1640, to Richard Holland at the address below. You can telephone for an informal discussion on 071-583 3303 or 081-677 3803 (evenings).

BDO CONSULTING

BDO Consulting
8 St Bride Street
London EC4A 4DA
Tel: 071 583 3303

WILTSHIRE

c.£40,000 + CAR + BENEFITS

Divisional Finance Director

Our client is an expanding division within a successful medium sized quoted group providing a range of high-margin commercial services. The division consists of a group of recently acquired companies requiring integration and improved financial management.

Reporting to the Divisional Managing Director and working closely with the Group Finance Director, you will be expected to contribute fully at a strategic level. The wide range of responsibilities will include business planning, profit improvement, acquisitions, management reporting, cash forecasting and systems development. You will also liaise with external advisors (bankers, auditors etc).

You will be a qualified Accountant, probably in your thirties and perhaps with an MBA. You will have acquired broad financial management, strategic planning and systems development experience, ideally within a service industry. You will also possess considerable commercial flair and strong management skills.

Please send full personal and career details, including daytime telephone number, in confidence to Christopher Evans, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, quoting reference CE/726 on both envelope and letter.

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Chief Accountant

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My client needs a decisive, resilient individual who thrives on hands-on management and close practical involvement with demanding entrepreneurial Directors.

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This appointment is as Financial Director to the major operating company and reporting to the Group Financial Director, who will be focusing on the new strategy. Your tasks will be to ensure the effectiveness of all the operating company's financial systems, with particular emphasis, in the early stages, on management accounting; to contribute to the financial management of the Group as a whole; and as a member of the senior management, to take an active part in the general management of this dynamic expanding business.

Success, determined both by exercising thorough professionalism and by your ability to join in this energetic straight-talking senior management team, will lead to a Group Financial role.

You will be qualified, aged 35–45, with broad commercial experience and proven success in a Financial Controller or similar position.

Please send your CV to **Chris Bennett**, quoting ref. **MD2476**, at **Macmillan Davies Consultants, Salisbury House, Bluecoats, Hertford, Herts SG14 1PU. Tel: (0992) 552552.**

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If you are interested in this key appointment, please telephone Graham Marlow or Stuart Adamson FCA on 0532 451212, or send your CV, in confidence, quoting reference number 728, to Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY. Fax Number 0532 420802.

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Bass Inns & Taverns is the pub retailing division of Bass PLC, the UK's largest brewing and hotels group. It owns Britain's leading portfolio of national and regional beer and lager brands and the highest quality pub estate. As a market leader, Bass Inns and Taverns is concentrating on further improving the quality and consequent return from each of its outlets.

The company's aggressive marketing plans will see an increase in expansion and profitability. Recent re-organisation to take advantage of the current climate has given rise to an exciting opportunity within one of the major operating headquarters.

As the Senior Financial Manager of the Southern operating company, and a member of the management committee, your financial and business development skills will be utilised to the full in the expansion process.

Successful achievement of set objectives should lead to progression to a more senior role within the Group, either in the UK or overseas.

You should be a qualified accountant, in your late twenties or thirties, with at least 5 years post qualification experience. With a staff of 40, strong personal communication, and management skills are essential.

To find out more about a career at Bass Inns & Taverns, please contact Jilla Geranpay or Bill Greenwell, in strict confidence, at:

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CAREER CHOICE

The Financial Times proposes to publish a Survey on the above on

17th October 1990

For a full editorial synopsis and advertisement details, please contact:

Nicholas Baker

on 071-873 3351
or write to him at:

Number One, Southwark Bridge London SE1 9HL.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Assistant to the Financial Controller

City **to £30,000 + benefits**

This is an exceptional opportunity to join a major investment institution whose growing business requires the recruitment of an additional Chartered Accountant.

The successful candidate will be expected to take responsibility for the financial integrity of the accounting records, preparation of monthly accounts, performance analysis and budgets.

We are seeking a flexible person, preferably a graduate, who is familiar with PC based accounting packages and is capable of taking on considerable responsibility. Experience of investment accounting an advantage.

If you feel that you can match this challenge, please send your career details to Marilyn Davidson at the following address: Broadway Chambers, 14-26 Hammersmith Broadway, London W6 7AF

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FINANCE DIRECTOR

To whom business (not just numbers) is a way of life

c.£35,000 + car

Essex

The calibre of management is never more crucial than when a small nucleus provides the entire drive for a nationwide business. This specialist storage, sales and distribution business – in fact, a major paper merchant – turns over nearly £100 million from a network of distribution centres throughout the country; its closely knit central management team has driven the business to its current position amongst the market leaders in its own commercial sector. Recent developmental moves have created the need for a new Finance Director, who will obviously be a vital member of that team. We are looking for a qualified accountant (no prejudice about qualification, but this job is close to the sharp end so no sophisticated bean counters please) whose work ethic will allow quick identification with colleagues who are used to working hard together as a close team. Getting the figures right is obviously important, but above all the MD will be looking for strong commercial understanding and advice. It is a truism that profit will always depend upon shrewd buying and effective selling, but the right financial input to both processes is essential. Ideal candidates, late thirties/early forties, will demonstrate accounting expertise, commercial flair and, even more importantly, team-playing strengths and clear evidence of commitment to hard work. Please send full career details, quoting reference WE 0134, to Terry Ward, Ward Executive Limited, Academy House, 26-28 Sackville Street, London W1X 2QL. Tel: 071-439 4581.

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LIMITED
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Group Finance Director

Media/Entertainment

£45,000 + Bonus + Stock Options — Covent Garden and Chelsea

Top finance job in very exciting, successful and profitable media and entertainment company. Leaders in their field.

THE COMPANY
- Three subsidiaries in two attractive locations. Turnover £9m with real growth potential.
- Media related products and services using highly sophisticated technology.
- Exceptionally talented management team handling top media projects.

THE POSITION
- One of three Executive Directors reporting to Chief Executive.A very wide ranging, hands-on role closely involved in all business and strategic issues.
- Total responsibility for financial management, management and financial accounts, treasury and company secretarial matters.
- Staff of nine reporting in - all bright, loyal and hard working.

QUALIFICATIONS
- Graduate Chartered Accountant, Mid thirties
- Media or entertainment experience within fast growing business preferred.
- Excellent inter-personal skills. A good presenter, at ease with both creative people and banks/investors. Able to contribute to general strategic management issues.

Please reply in writing, enclosing full cv.
Reference BJ2941
NBS, Bennetts Court, 6 Bennetts Hill, Birmingham, B2 5ST

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Corporate Finance Manager

c. £45,000 + Benefits — Rural Midlands

Unusual opportunity for a commercially oriented Chartered Accountant to combine specific responsibility for the Treasury function with a high level corporate role in special projects and acquisitions. A high profile position in a major multi-national business with excellent career development.

THE COMPANY
- World leading engineering and contracting group.
- True multi-national with UK based turnover in excess of £1.5 billion.
- Profitable,well-focused and growth oriented.

THE POSITION
- Head Office role working directly to the Financial Director.
- Full responsibility for the Treasury function through a small team.
- Wide range of corporate finance projects, including international liaison, acquisitions and divestments.

QUALIFICATIONS
- Chartered Accountant, ideally aged 30's, with Group level experience in a major business.
- Sound knowledge of Treasury management. Investigative approach to business opportunities and problem solving.
- Presence to communicate with top management internationally. Ambition to take on even more senior roles.

Please reply in writing, enclosing full cv.
Reference BJ2942
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GROUP FINANCIAL CONTROLLER

C. LONDON

To £38,000 + Car + Full Benefits Package

Our client is an expansionary minded group of advertising/ communication companies that has consistently enjoyed strong growth both organically and via a series of carefully targeted acquisitions. It is now considered to be amongst the market leaders within this industry sector.

To sustain and improve the quality of management information in place and to gear up for a further period of growth, it seeks a Group Financial Controller who wishes to play a key role in contributing to its success.

With the support of an established team, you will co-ordinate all monthly reporting encompassing management and financial statistics, cash flow forecasting, budgeting and the further enhancement of existing computerised systems.

Other areas of responsibility will include the financial control of group subsidiaries as both adviser and troubleshooter, the negotiation of existing and new client contracts and reporting on client profitability.

Once fully established, you will also play a key role in assessing potential acquisitions and growth opportunities with the Group Finance Director.

Candidate requirements are clear; a qualified accountant aged from 28, who can demonstrate sound technical ability and a record of achievement in a group role. Personal characteristics are of primary importance; a first rate communicator both orally and written, a high level of enthusiasm and energy tempered with diplomatic and assertive qualities.

The ambition to achieve a directorship in the medium-term will also be a motivating factor.

*Interested candidates should contact **Michael Herst** on **071-629 4463** (day) or **081-502 1247** (eves) or send an appropriate curriculum vitae to the address below quoting MH822.*

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Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 071-629 4463.

Financial Analyst

Recently Qualified

London — c.£28,000

Inchcape, as an international services and marketing group, has global interests in 60 countries ranging from the marketing and distribution of motor vehicles and consumer and industrial products, to shipping and insurance services.

The Financial Control function plays a key role in maintaining the Group's impressive record of growth and profitability and offers a unique insight into all of its core business activities.

As a member of a small, highly professional team, your task will be to analyse Group results and carry out ad hoc projects. Additionally you will be closely involved in the formulation and review of both the Group's annual Plan and Budget.

The right candidates will certainly be graduate ACAs or CIMAs, aged 25-28, who can already demonstrate a record of achievement from within the Profession, Commerce or Industry. First rate technical abilities are taken as read but, as this role involves close and constant liaison with senior multi-discipline management throughout the Group, excellent presentational and communication skills are of equal importance.

The company views this position as an ideal grounding for potential senior managers and prospects for career development at Head Office or divisional level are outstanding.

For further information, please contact Mike Masterson at: H.M.A. Recruitment, Kennet House, 40 Rosebery Avenue, London EC1R 4RN. Tel: 071 837 3456 Fax: 071 837 5466.

Inchcape
THE INTERNATIONAL SERVICES AND MARKETING GROUP

DIVISIONAL FINANCIAL CONTROLLER

Central London — Leisure Industry — £33,000 + Bonus + Car + Benefits

One of the leading names in the fiercely competitive leisure and entertainments sector our client has consistently achieved significant growth and continued organic and acquisitive expansion, founded on a solid financial base.

As a direct result of this expansion, they now seek to appoint an outstanding individual to assume responsibility for all financial and management controls within the highly profitable leisure division.

Reporting to the Finance Director, your responsibilities will include strategy planning, forecasting, budgeting, systems enhancement as well as acting in a broad trouble-shooting role on behalf of the respective operating units that make up the division.

Aged 27-30 the successful applicant must be able to demonstrate an impressive post qualified record of achievement, ideally gained within a leisure, retail or related service sector environment.

With extensive board level exposure, the position demands an individual with confidence, assertiveness, diplomacy and the ability to communicate at all levels across a range of disciplines.

Opportunities for progression within this fast moving organisation are outstanding and will not be a limiting factor for the successful candidate.

Interested applicants should telephone Simon Hewitt on 071-437 0464, or write to him, enclosing a detailed CV at the address below.

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Queens House 1 Leicester Place London WC2H 7BP
Telephone: 071-437 0464

FINANCIAL ACCOUNTANT

SALARY : Negotiable plus Company Car

Trio-Kenwood UK Limited are the U.K. subsidiary of the Kenwood Corporation of Japan, one of the worlds leading HiFi and specialist electronics manufacturers.

They are looking for a young, qualified Chartered Accountant who is experienced in the production of management accounts and strict budgetry control, having practised sound financial disciplines in the past.

Based at the company's prestigious new UK Headquarters near Rickmansworth, the successful candidate will lead a small, motivated team and liaise closely with other areas of management.

The opportunities for career development within the Company are excellent.

A negotiable salary package will include car, BUPA and other benefits to be expected from a company of this stature.

Please wrtie with full C.V. to:

Mr Ian Gibbon,
Alliotts - Chartered Accountants,
10, College Road,
Harrow. HA1 1DA

European Audit

c. £28,000 + Car — 25-28

The scope of your initial role in this highly regarded U.S. corporation is an ideal platform for a subsequent move into full subsidiary Controllership, or a Corporate Finance position in the USA. Your predecessors have shown the way.

Travelling throughout the continent you will provide European management with guidance and support through a progressive and interactive audit programme. Technical skills will be well-challenged by a diversity of operations from manufacturing to marketing.

A confident and personable A.C.A., with some independence of mind, you will enjoy the level of responsibility inherent in a largely autonomous role. Ambition, matched by ability, will not go unrewarded. Base location: Thames Valley.

Please reply in confidence, quoting Ref: 97/CP.
Colin D. Proudfoot B.Sc., B. Comm., A.C.M.A.,
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Leaders in the distribution of Mass Storage Devices

CHIEF ACCOUNTANT

OXFORD — c.£18,000-£20,000 + benefits

As a consequence of an internal promotion, this highly successful private group, based on the western outskirts of Oxford, wishes to appoint a Chief Accountant to its principal company.

The position is wide ranging in a very fast moving environment and the successful candidate will:

- take responsibility for the accounting staff and most of the Company's financial areas.
- be required to work effectively in roles spanning shirt-sleeves transaction processing to reporting and financial control.
- have the interpersonal skills necessary to work with all levels of management and staff.
- possess a high level of dedication and commitment and should have the ability and determination to grow within the Group into more senior roles.

This position will suit a newly qualified accountant (preferably A.C.A.) maybe taking their first step into commerce and industry, and offers a competitive remuneration package (including bonus and family BUPA cover) and an excellent environment.

Please apply in confidence to Robert Legg, Group Finance Manager, Phase IV Systems Ltd, Oakfield House, Oakfield Industrial Estate, Stanton Harcourt Road, Eynsham, Oxon. OX8 1TH.

MACARTHY PLC

FINANCIAL CONTROLLER
(FINANCIAL DIRECTOR DESIGNATE)

£33,000 + Car — Macarthy Retail

Macarthy Retail is a division of Macarthy PLC, a leading healthcare group. Currently the division manages 224 pharmacies and healthfood units throughout the U.K. under the names of Savory & Moore, Lifecycle and John Bell & Croyden.

Expansion of our activities and a major commitment to new systems and hardware mean that we now need a Financial Controller capable of quickly moving into the role of Divisional Finance Director.

Reporting to the Deputy Divisional Managing Director, you will be responsible for the management and development of all the financial controls and reporting systems for the provision of financial advice to management. Initially based at the Division's accounting office in Falkirk, your progress to Finance Director will involve a move to Head Office in Leighton Buzzard.

Professionally qualified, with experience of retail systems and accounting procedures, you must have managed a large accountancy department through major restructuring.

This is an opportunity to put your career on the 'fast track' with a company which is committed to the challenges of the future. If you can prove your ability and expertise, we will reward you with a highly competitive salary and benefits package.

If you believe you possess the qualities to move swiftly into this senior position, please forward a full CV to John Pollard, Personnel Director, Macarthy PLC, Delta House, 33 Hockliffe Street, Leighton Buzzard, Beds, LU7 8EZ.

Financial Accountant

Multinational – Consumer Products

c. £40,000 + executive car + benefits **London**

Ambitious, creative and technically outstanding accountant required to join young, top class head office finance team of prestigious international £3 billion turnover consumer group. Global leader, highly profitable cash-generative businesses with balanced international spread and unparalleled portfolio of brands. Close knit, collegiate and stimulating environment. Excellent career opportunities in this expanding, acquisitive group.

THE ROLE

- Reporting to Group Chief Accountant. Responsible for consolidation and reporting of monthly results of over 200 operating units. Preparation and production of statutory accounts.
- Providing the lead and managing the resolution of complex international accounting.
- Handling substantial ad hoc groupwide projects including acquisitions, disposals and capital expenditure proposals.

QUALIFICATIONS

- Late 20's/early 30's. Technically outstanding ACA with pragmatic approach and an ability to create and implement solutions for intricate accounting issues. Already on a fast track career path.
- Ideally three years in a head office accounting role in a dynamic major international plc.
- Initiative and drive. Effective communicator with Board and line managers. Able to cope with pressure, a fast pace and demanding, varied role.

Please reply in writing, confidentiality assured, enclosing full details to:
Ref. F33470L, Brook House, 113 Park Lane, London W1Y 4HJ.

London 071-493 1238

Selector Europe
A Division of Spencer Stuart

Manchester 061-941 3818

Project Accountant

Multinational – Consumer Products

c. £40,000 + executive car + benefits **London**

Qualified accountant with excellent systems development skills required to join young, top class head office finance team of prestigious international £3 billion turnover consumer group. Global leader, highly profitable cash-generative businesses with balanced international spread and unparalleled portfolio of brands. Close knit, collegiate and stimulating environment. Excellent career opportunities in this expanding, acquisitive group.

THE ROLE

- Reporting to Group Chief Accountant. Responsible for managing the upgrade of the worldwide group reporting systems.
- Managing third party relationships. Interfacing directly with the operating units to optimise user solutions.
- Handling substantial ad hoc groupwide projects including acquisitions, disposals and capital expenditure proposals.

QUALIFICATIONS

- Late 20's/early 30's. Proven success in completing large MIS projects on time and to budget. Focused on end user requirements.
- Strong team and interpersonal skills. Experienced in managing and negotiating with third parties and interacting with line management. Problem solver.
- A self-starter. Logical, analytical and results oriented. Potential to move to a senior line role within 2/3 years.

Please reply in writing, confidentiality assured, enclosing full details to:
Ref. F33370L, Brook House, 113 Park Lane, London W1Y 4HJ.

London 071-493 1238

Selector Europe
A Division of Spencer Stuart

Manchester 061-941 3818

Financial Analysis Manager

City

c.£35,000 + car + bonus + banking benefits

Our client, a major British financial institution, is seeking to appoint a young, bright, ambitious person to its high profile financial analysis team. This is a challenging opportunity to gain an in-depth understanding of a progressive and complex business, with particular responsibility for its investment banking and treasury operations. You will make an active contribution to strategy planning, budgeting and external results reporting.

You should be a graduate qualified accountant, in your late twenties or early thirties, with at least two years of your post-qualification experience spent in an investment bank or securities house, preferably with some product exposure.

The analysis undertaken is sophisticated and penetrating and calls for both good modelling/PC experience and strong analytical and presentational skills.

Future promotion prospects from this position are excellent, either to another group role or by capitalising on the relationships you will have established with the Group's investment banking operation.

Please reply in confidence giving concise career, salary and personal details, quoting reference SK 259 to Suzanna Karoly at Ernst & Young Search and Selection, 21 Conduit Street, London W1R 9TB.

SEARCH AND SELECTION

Ernst & Young

Controller

Group Information Services

c. £40,000 + executive car + benefits **W. London**

Unique opportunity for an innovative accountant with commercial flair and interest in the financial management of a very substantial information services operation. Major multi-national plc with world-scale activities. High level of freedom to initiate and stimulate change to improve performance. Excellent scope for rapid professional and personal advancement.

THE ROLE

- Reporting to the Information Services Director, realising operational improvements and effectiveness throughout the Group.
- Improving project management and performance measurement procedures. Reviewing strategic plans and budgets, analysing and reporting monthly performance.
- Fostering a commercial and value-for-money culture and discipline.

QUALIFICATIONS

- Bright, qualified accountant, late 20's/early 30's. Empathy with information technology. Likely to have engineering or scientific education. Possibly from management consultancy or computer industry.
- Clear thinker, excellent communicator. Flexible and diplomatic but persuasive and determined manner which achieves results.
- Ability to identify and negotiate commercial opportunites. High energy level and high growth potential.

Please reply in writing, confidentiality assured, enclosing full details to:
Ref. F33570L, Brook House, 113 Park Lane, London W1Y 4HJ.

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WINCHESTER

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We have outstanding opportunities for talented and committed individuals to join us at the start of this venture and to play an active role in shaping the new company. All positions require professionals who are business oriented and commercially minded.

TREASURY GROUP LEADER

c.£27,000

You will be required to head a team and manage the company's investment in working capital.

You should have a qualification from one of the CCAB bodies and several years relevant experience at a similar level in a treasury role in industry or commerce. Along with strong organisational skills you should also have the leadership skills and maturity to motivate a team of five staff.

MANAGEMENT ACCOUNTING GROUP LEADER

c.£27,000

You will be required to head a team and provide effective management accounting systems.

A CIMA qualification should be backed by several years relevant experience at a similar level in telecommunications or other high-technology businesses. Along with strong organisational skills you should also have the leadership skills and maturity to motivate a team of eight staff.

MANAGEMENT ACCOUNTANCY SPECIALIST (2)

c.£22,000

Required to provide professional accountancy support to several of our business units.

You should have experience of financial modelling software. One of these posts will require a current driving licence as travelling is involved. Occasional nights away from home will also be necessary.

FINANCIAL ACCOUNTING SPECIALIST

c.£22,000

You will be required to prepare financial accounting statements for Board level and external purposes.

You should have a CCAB qualification and have a good knowledge of Corporate Tax and VAT law and procedures.

ALL POSITIONS OFFER AN ATTRACTIVE SALARY AND A RANGE OF BENEFITS INCLUDING CONTRIBUTORY PENSION SCHEME, 22 DAYS ANNUAL LEAVE AND WHERE APPLICABLE, GENEROUS RELOCATION EXPENSES.

Please write with full C.V. to: Jackie Howard, Human Resources Manager, The Independent Broadcasting Authority, Crawley Court, Winchester, Hants, SO21 2QA.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FINANCE MANAGER

To £33,000 plus expensed car and benefits **Thames Valley**

Our client is a key subsidiary of a substantial international IT business. Growth rates in the UK have been remarkable in recent years with sales expected to reach £75 million in 1990.

Due to internal promotion, they wish to appoint a Finance Manager to lead the UK Finance team, reporting to the UK Controller. Apart from financial and management accounting responsibilities with tight reporting requirements to the European HQ, there are two challenging tasks within this fast growth environment. These priorities are the introduction of a new computer system and the development of a more sophisticated management information and forecasting system.

You will be a qualified Accountant, ideally a graduate ACA, with at least five years' experience and a progressive track record in well-respected substantial organisations. Experience of working with advanced computer systems is essential. You must have the calibre, desire and strength of personality to absorb additional and broader responsibility beyond pure finance in the short to medium term.

Please telephone Alan Brown on 0628 75956 for further information about this excellent career development opportunity, or send him your CV as soon as possible, including current salary, to the address below.

MKA EXECUTIVE SEARCH AND SELECTION LIMITED
MKA House 36 King Street
Maidenhead Berks SL6 1EF
Telephone: (0628) 75956
Fax: (0628) 770065

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FINANCIAL DIRECTOR

DESIGNATE

Due to internal reorganisation, the position of Financial Director Designate (Board Appointment within six months) has become available. Package c. £30K + car.

We are an international business which offers a complete range of manufactured equipment and services to a niche market. We are an autonomous trading division of a successful and growing plc.

The key tasks will include:

- working with senior management on business plans, forecasts and budgetary control
- ensuring compliance with group accounting requirements and providing timely and meaningful management information
- taking responsibility for the management and development of the in-house computer system.

The successful candidate will be a qualified accountant, and will probably be in the age range of 28-35. There is a requirement that the candidate can demonstrate that he/she has had full responsibility for accounting and management reporting.

The position will be based at our head office in Hertford.

If you are interested in the above position, please send your updated C.V. to the Chief Executive, CASE-ICC Ltd, Unit 10, Caxton Hill Industrial Estate, Hertford SG13 7NE.

CASE
"Wherever money matters"

GROUP FINANCIAL DIRECTOR

West of England c.£35,000 plus Share Option

Our client, a successful engineering operation, has identified major new markets and is currently creating separate divisions for each product group.

A qualified accountant, sitting on the Holdings board, is required to co-ordinate the total financial and company secretarial aspects of the Group developed from accurate reporting and analysis from each division. Aged 35-45, experience in contracting or exposure to an engineering or manufacturing environment is desirable as is good knowledge of accountancy practices and company law.

The importance of the position is reflected in the excellent remuneration package, executive car, benefits and share option scheme.

Interested candidates should submit a comprehensive career resumé quoting Reference 22198/FT. The confidentiality of all approaches is strictly guaranteed.

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Tel: 021-622 1133 Fax: 021-666 6955

Varley~Walker
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Over 50?
PART-TIME CONSULTANCY
London SW1

Qualified Accountant with Finance Director experience required on a two to three day a week consultancy basis by acquisitive Private Group.

Reporting to the Chief Executive, this is a varied and challenging role requiring experience of medium sized manufacturing businesses, which would suit applicants in their 50's.

For further information, please write in complete confidence to David Kennedy, Clark Whitehill Consultants, 25 New Street Square, London. EC4A 3LN.

AT A CAREER CROSSROADS?

Hill Samuel Investment Services is seeking executives, aged 25 to 50 and with experience in industry, commerce or the professions, to become Personal Financial Advisers. All necessary training and support, including office facilities, will be given to enable you to promote the renowned range of Hill Samuel personal and corporate financial products and services. London commuter area.

Contact: Peter Bolton 071-222 4858.
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FINANCIAL CONTROLLER

LONDON **CIRCA £28,000 + BENEFITS**

Fast growing adventure tour operator/retailer seeks dedicated, energetic financial controller.

To work closely with the M.D. Be responsible for the finance function, including financial and management accounting, cash flow management and computer systems development.

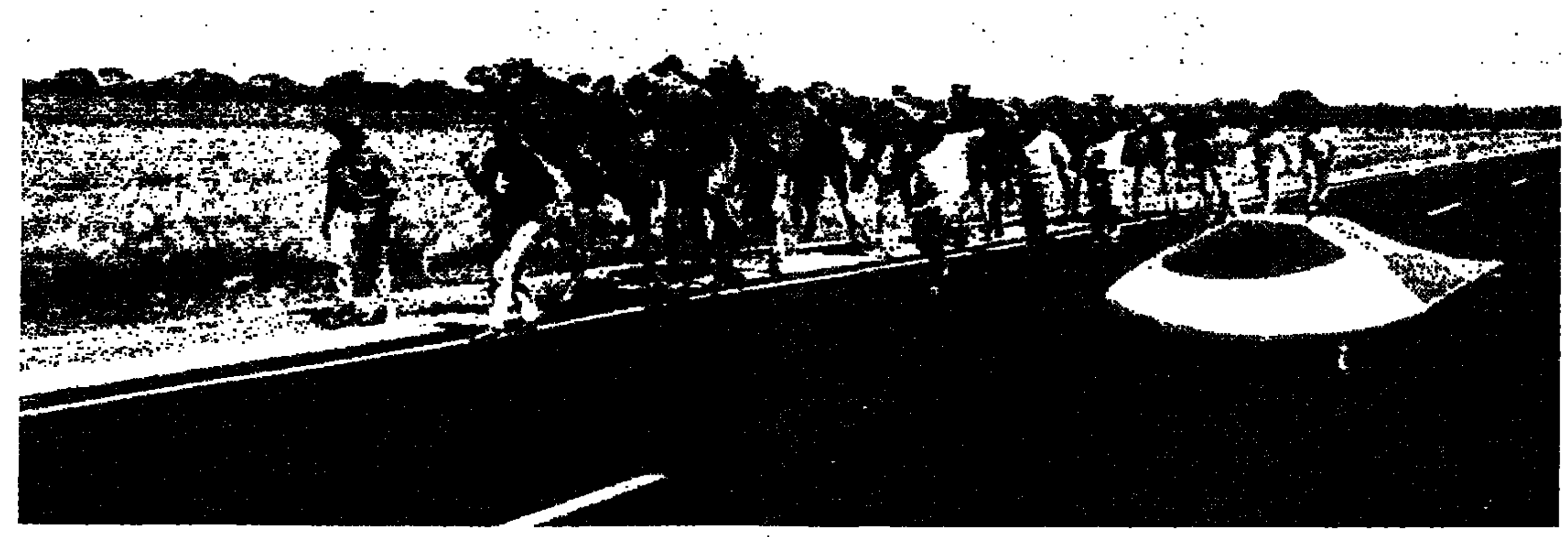
Qualified accountants with experience in commercial environment and ability to work under pressure required.

Please write with full C.V. to:-
MR MURGHA MACK
131-135 EARLS COURT ROAD
LONDON SW5 9RH

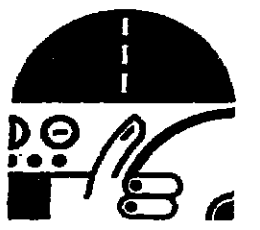
FINANCIAL TIMES SURVEY

VEHICLES AND THE ENVIRONMENT

Friday, July 27, 1990



World pressure to intensify research drive



Energy-consumption and increasing problems of pollution by motor vehicles are an important and urgent focus in the world wide debate over the environment. John Griffiths examines the main issues.

ICREASINGLY during the st several years, the car has me to be cast in the role of ı environmental villain.

Fears about global warming; e gradual destruction of the rth's ozone layer; the effects acid rain and photochemical nog, noise and congestion – e car's undoubted contribu- on to them all has been ought into much sharper cus.

Inevitably, as concern about ich problems has increased, iere have been calls from ıvironmentalist campaign oups around the world for ırious types of action to be ıken.

The suggested measures ınge from direct curbs by gov- nments on private car usage to be accompanied by sub- antial investments in public ansport – to intensified search and development to roduce "non-polluting" ehicles using exotic technolo- es, such as hydrogen fuels or super-batteries."

Such technological alterna- ves, most manufacturers gree, are feasible – but nlikely to emerge as viable ropositions until the early art of next century. And the roblem with proposed usage urbs is that, outside the active greens," few motorists appear repared to lose any significant lement of the freedom of obility conferred on them by ıe car. Indeed, even if large parts of the developed world were to adopt policies of using cars less, the problem in global terms would continue to grow as a result of the Third World's inevitable desire to motorise.

The likely consequence of that desire, the Economist Intelligence Unit has warned, is a large jump in the world's car population to around 550m cars by the year 2000, compared with just over 400m now.

Clearly, in terms of some emissions, the development of yet "cleaner" cars will have to accelerate just to stand still.

In some key areas, substantive progress is being made – though not necessarily in the way manufacturers, at least, might like. For example, the two houses of the US Congress are now steering their way through a haze of technical arguments which, by the autumn, should lead to a new Clean Air Act parked on federal statute books. The Act is likely to require manufacturers to produce yet-cleaner cars using ever more sophisticated catalytic converter system, with some vehicles being required to use alternative fuels to petrol, such as methanol, even though today's cars emit less than one-tenth of the pollutants of a vehicle of the early 1970s.

The US "big three" motor-makers – Ford, GM and Chrysler – are developing technical solutions to such demands. But they argue that in some areas, notably catalytic converters, the industry is entering an area of rapidly diminishing returns, with consumers likely to pay a high additional price for relatively marginal cuts in emissions.

One major contribution to a gradual diminution of regional pollution from cars will, however, come in just over two years, when the European Community belatedly falls into line with North America and Japan in requiring all cars to be fitted with the catalytic converters which remover most of the oxides of nitrogen, carbon monoxide and hydrocarbons which contribute to a range of environmental problems. From the beginning of 1993 they must be fitted to all new cars.

It will take some years for the full effects of this measure to be felt; until scrappage finally removes all 'non-cat' cars from the road. However, it should mean that in the UK, for example, by the year 2002 some 90 per cent of cars on the roads should be catalyst-equipped. Even if the car population has grown to 21m by then, the level of emissions would be reduced to a level equivalent to the emissions from 8.4m cars today, according to the Society of Motor Manufacturers and Traders.

However, the legislative lead in the battle against emissions continues to come from the US.

One Clean Air Act proposal is for a fleet of 300,000 'alternative' fuel cars to be operating in California by 1994, and for nearly a third of light commercial vehicles to be using various alternative fuels by the mid-1990s. Manufacturers failing to produce or sell enough would face legal action.

The US motor and oil industry are spending some \$15m on a joint researching programme into a wide range of alternative fuels. However, all of these alternatives have their problems as well. While methanol would cut the amount of atmospheric ozone created, it has much less energy content per gallon than conventional petrol, thus reducing performance and range for a given fuel tank size, and unlike petrol is quite corrosive.

The motor industry fears that consumers will shun such alternative-fuel cars because of reduced performance, despite the manufacturers having been forced to produce these vehicles.

One function of the gathering environmental crisis, however, may be to act as the catalyst which finally brings the electric car to viability.

The drawbacks of electric vehicles remain glaringly obvious: much more limited range than a petrol or diesel car, the need for regular recharging, a process inevitably taking several hours; usually much inferior on-road performance and higher initial purchase price in the absence of manufacturing economies of scale.

For much of the electric car's history, leading vehicle producers have been understandably reluctant to take the plunge into producing such vehicles when there has been little evidence of a market wanting them.

For the first time, however, progress towards the electric car is being driven by legislation – and, significantly, in Southern California, the very same region where the first drive towards clean cars, and the catalytic convertor, began.

If the "Los Angeles initiative" goes as planned, there will be 10,000 electric cars and vans on the roads of the vast, sprawling and smog-shrouded Californian metropolis by 1995.

User experience with them should then determine just how realistic the region's environmental legislators, in the form of the South Coast Air Quality Management District, are being in setting out clean air standards which by the year 2010 could only be met – barring some totally unexpected new technology – if 70 per cent of all vehicles operating in the region, or more than 6m, were to be electrically-powered. The legislation will effectively require a population of up to 1.7m electric vehicles to be operating in the region by the end of the next ten years.

The initiative is jointly sponsored and is being overseen by the city council, its Department of Water and Power, and the private sector utility, Southern California Edison. It has taken the form of a competition under which the three winning manufacturers are to build a variety of small cars, passenger vans and light commercial to create the 10,000-vehicle fleet.

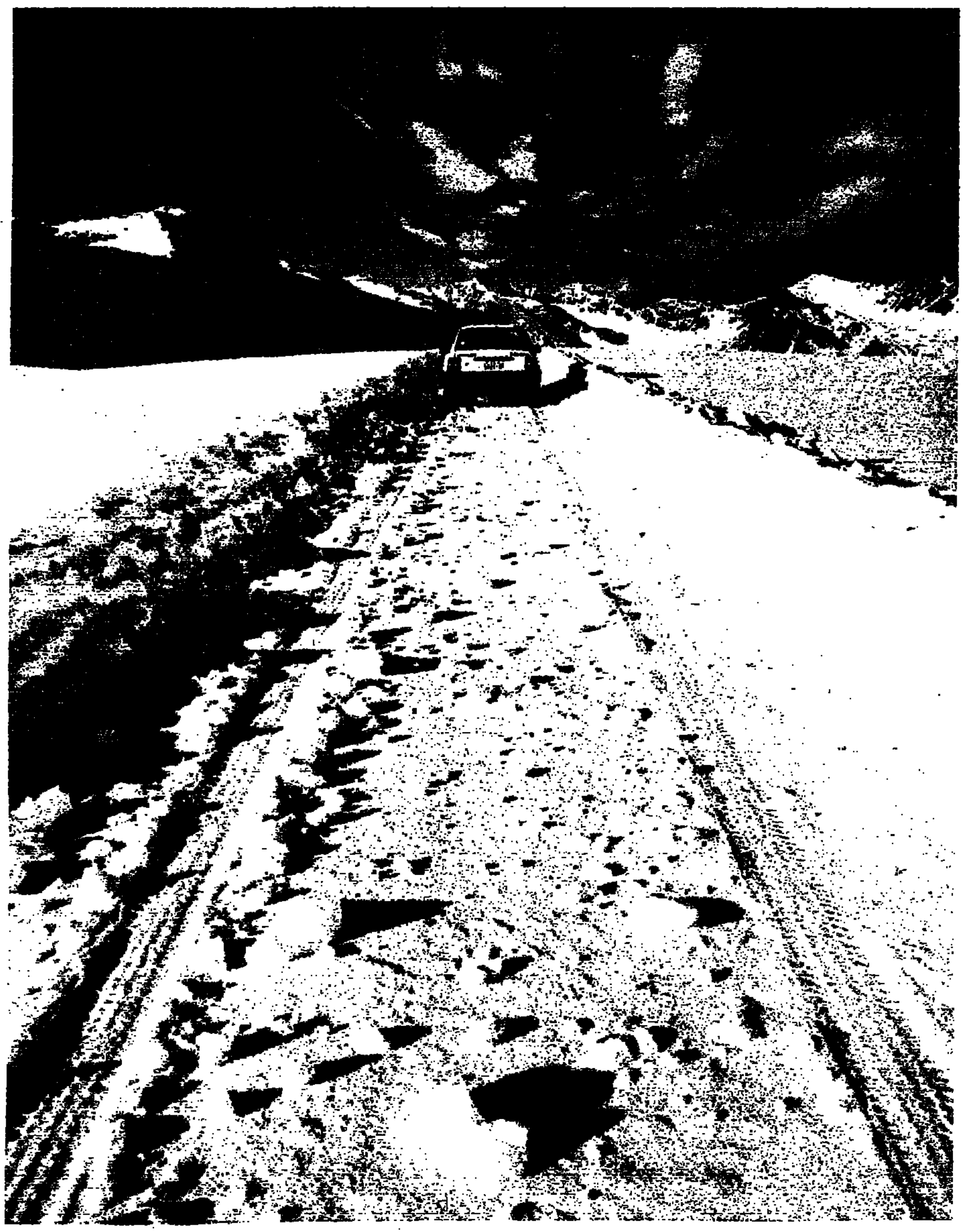
The aims is to identify the problems associated with such a fundamental transformation of personal transport as well as, hopefully, to smooth its path.

The Department, and Southern California Edison, are providing development funds to the chosen companies. In addition, they are devising with both state and federal authorities fiscal incentives to

Continued on page six

THE SUNRAYCER: pictured above is General Motors' solar-powered car which won the 1,950-mile World Solar Challenge race. Left: research engineers at GM, working on the Sunraycer.

IN THIS SURVEY



Kevin Done describes the EC's new policy

Europe to tighten its emission standards

AFTER HECTIC debate, the European Community has agreed standards for car exhaust emissions, although legislation for implementing them is still awaited in several EC member states.

The EC directive introduces mandatory standards for exhaust emissions, and will require sophisticated, regulated, three-way autocatalysts on all new cars from the beginning of 1993 and on all new models from July 1992.

The tougher regime represents a triumph for the environmental lobby, and was the first occasion on which the European Parliament was able to have a crucial impact on future European legislation.

Industry has shifted ground in response to political and environmental pressures

The proposed new standards are based on an improved test cycle which reflects more realistic European driving conditions. It includes an extra cycle at speeds of up to 75mph to simulate motorway driving in addition to the existing cycle, which is conducted at up to 31 mph to simulate city driving.

The legislation also allows individual EC countries to introduce tax incentives for up to 85 per cent of the cost of additional pollution control equipment.

According to Johnson Matthey of the UK, the world's largest manufacturer of autocatalysts, the EC directives will bring European Community standards substantially into line with present US standards, although those are under review and are expected to be toughened in 1993.

While the west European motor industry has accepted the tougher exhaust emission control regime – largely with a sense of relief that there will finally be a common EC standard – the path to agreement was painful and created much damaging uncertainty.

Mr Lindsey Halstead, chairman of Ford of Europe, said last year that the breakthrough "was only achieved after an extended period of severe planning uncertainty, with many governments seeking to impose their differing views. For years we have argued that technical harmonisation could only be achieved by strong co-ordination which would lay down the same rules for all."

Mr Carl Hahn, chairman of the management board of Volkswagen of West Germany, maintains that with 500m cars expected to be on the world's roads by the year 2000, "the widespread concern of the consumer regarding emissions of carbon dioxide and nitrogen oxides become more readily apparent."

Industry has shifted ground in response to political and environmental pressures and accepts that tougher regulations are both inevitable and to be welcomed.

According to Mr Hahn, "we have reached an economic position in which it is entirely reasonable to anticipate that our societies can afford the added costs which are unavoidable in connection with the protection of the environment, and our governments can be expected to take notice of this."

Mr Peter Stief-Tauch, head of the European Commission's Unit for Air Pollution Control, says that EC member states have long been in disagreement over the pace at which vehicle exhaust emission standards should be tightened, and over the priority to be given to the different pollutants and nuisances produced by motor vehicles.

In a speech last year, however, he said that the Commission was aware that industry should be given a chance to find the most efficient technologies.

Rules for heavy commercial vehicles still have to be tightened with a second step of limitations for gaseous emissions and the introduction of limit values for diesel particulates (soot). A reduction of the particulate emissions limits for diesel cars is also being introduced.

Measures were being examined to reduce carbon dioxide emissions, such as lower fuel consumption, speed limits, alternative fuels and propulsion systems as well as better traffic management.

He said that diesel engines had important advantages over petrol engines in terms of lower fuel consumption and therefore lower CO emissions, as well as much lower emissions of carbon monoxide and hydrocarbons and somewhat lower emissions of nitrogen oxides.

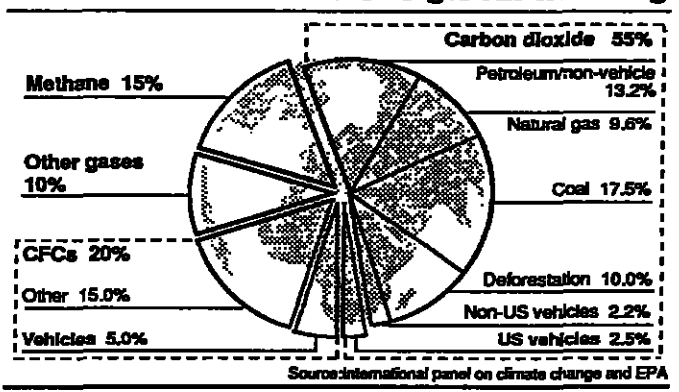
Diesel engines were a possible route for reducing the gaseous emissions creating the greenhouse effect, said Mr Stief-Tauch, adding that research findings into the carcinogenic potential of soot particulates in diesel exhaust were still controversial.

EC member states have disagreed over the pace of tightening vehicle exhaust emission standards

Significant progress has been made on the exhaust emissions front, where tough measures have been introduced. According to General Motors, new US passenger car emissions of hydrocarbons and carbon monoxide have been reduced by 96 per cent and oxides of nitrogen by 76 per cent since 1970, thanks to the mandatory use of catalytic converter technology.

However, according to Mr Jack Smith, GM's executive vice president for international operations, "as we enter the 1990s further increases in vehicle emissions reductions promise to be more difficult technologically and more expensive than were the gains already made."

Worldwide contributors to global warming



Source: International panel on climate change and EPA

Jack Semple on European research into cleaner, safer driving

Prometheus offers promise to the European motorist

FAR-SIGHTED thinking by West German vehicle manufacturers concerned about growing traffic densities has led to a research project which now involves most European car and truck makers.

Prometheus, as the project is known, was set up in 1986. It has now got down to detailed research and has emerged as one of the foremost joint projects in Europe.

It aims to smooth traffic flows and make road transport safer, more efficient and less damaging to the environment. It will also make vehicle manufacturer's products more desirable in the next century.

The project is based at Daimler-Benz's headquarters in Stuttgart, and has a budget of £200m. The scale of the project, and the emergence of a single European market, made it desirable to involve all the European-based manufacturers. They are working with electronics companies and with 50 scientific institutes and universities, giving a mixture of theoretical and applied research.

Project members stress that Prometheus is "exclusively" a pre-competitive research programme; companies will use the results of the research to develop their own products. These will start appearing in the mid-1990s, but the full benefits are unlikely to be available to drivers until the turn of the century.

Prometheus is an acronym of Programme for a European Traffic with Highest Efficiency and Unprecedented Safety, bolstering a somewhat tenuous link with the mythical Greek.

The project will create 'intelligent' vehicles which can react to their surroundings, including other vehicles, cyclists and pedestrians.

Prometheus has emerged as one of the foremost research projects in Europe

Vehicles will be able to provide the driver with information of road and traffic conditions and of directions, all superimposed on the windscreen.

BMW has successfully tested a car driven at speeds of more than 150kph steered through simple bends using only messages from a video camera to steer the car. The next step will be to build up a reliable method of controlling the car under more extreme conditions, perhaps to the extent of including engine power control. BMW does not, however, foresee fully automatic driving.

A vision enhancer is being developed to help drivers. It uses an infra-red camera which can give information on the road and other road users which the driver would not be able to discern for himself. Drivers will be able to "see through" fog, rain, snow and darkness.

The research draws on technology from the aerospace and defence industries

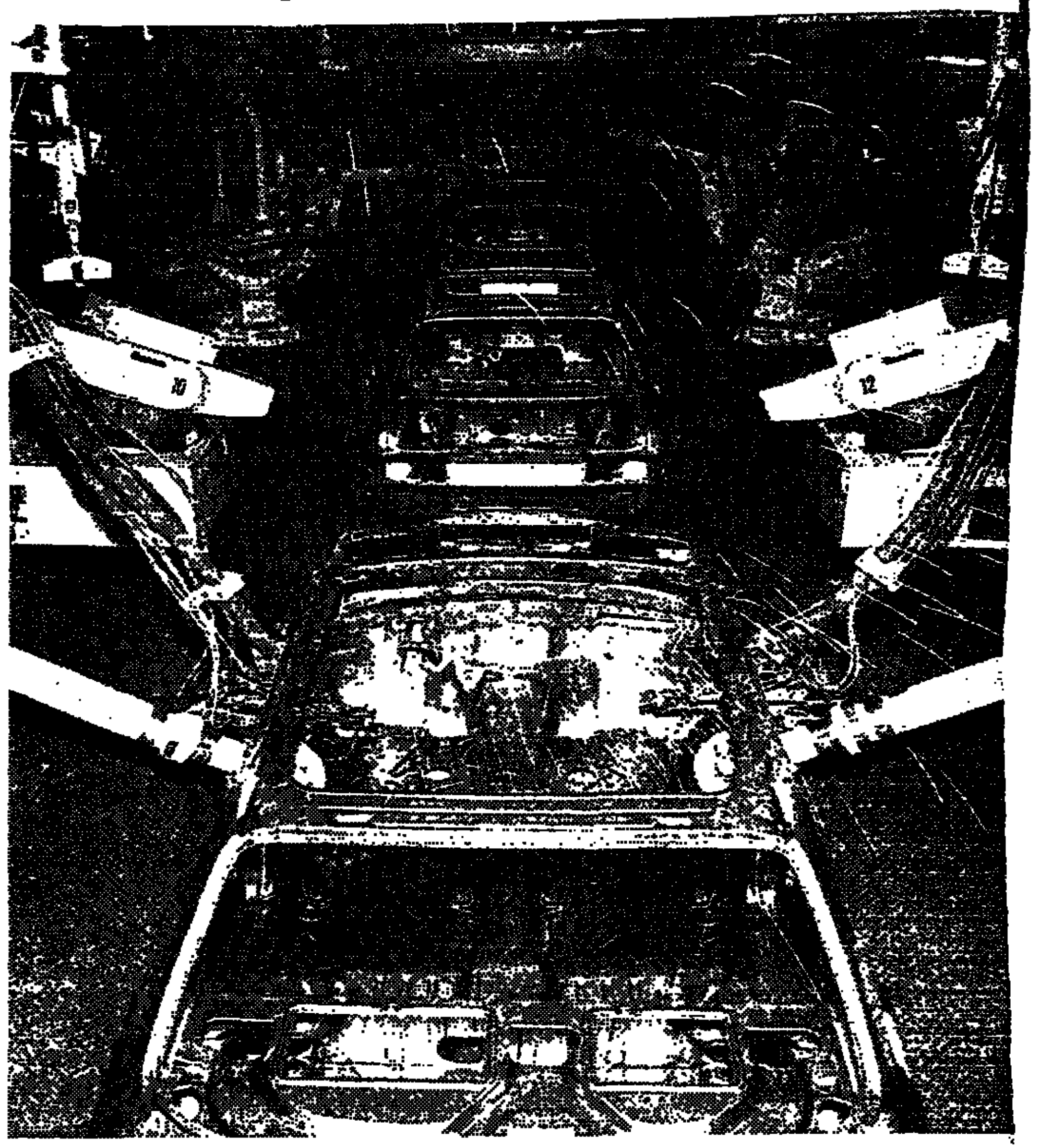
Drivers will accept a level of interference, or "active support" of vehicle behaviour, if there are obvious benefits. There is a parallel with the ABS braking system, which is now largely accepted.

Prometheus draws on technology already developed in the aerospace and defence industries. As with research in those fields, it also expects to have minor-spin-off benefits for other areas of industry.

Most of Europe's volume car and truck assemblers are participating in Prometheus, as are components suppliers. Vehicle builders based outside Europe were excluded from Prometheus until recently, but Opel, the German division of General Motors, has started working on the project and Ford is now keen to join.

The two UK members of Prometheus are Jaguar, which was recently acquired by Ford, and Rolls-Royce. Rover Group was involved in Prometheus initially, but withdrew two years ago on the grounds that it could not afford the manpower and financial resources.

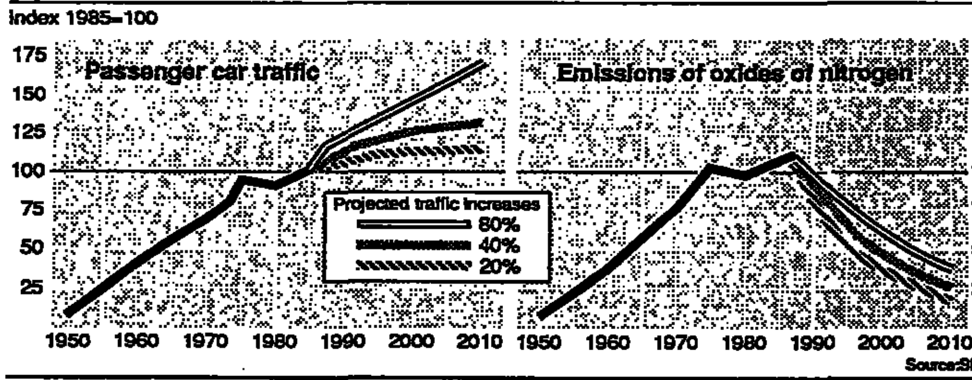
Rover aims to pick up on Prometheus technology when it becomes an important feature of the car people drive; project members believe that their involvement from the outset will give them a head start. Either way, Prometheus is a long-term project; the payback, too, will be over a long period.



Energy-saving welding robots at the Daimler-Benz works, Sindelfingen

Traffic and emissions, Sweden

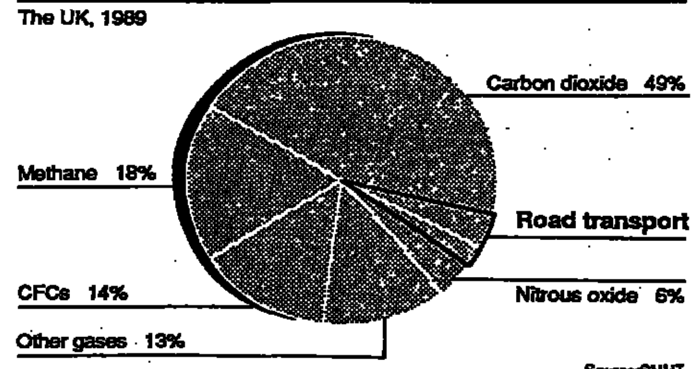
Index 1985=100



Source: SMMT

Transport and the greenhouse effect

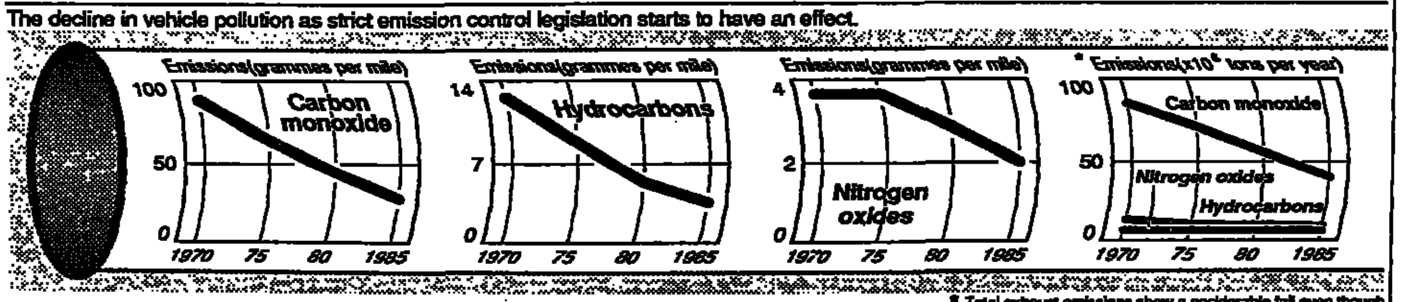
The UK, 1989



Source: SMMT

Effects of US legislation

The decline in vehicle pollution as strict emission control legislation starts to have an effect.



Sources: Platinum Metals Review; Hertz 1990 report

* Total exhaust emissions show a cosiderable fall, even though the total number of vehicles and miles driven has also increased

Kevin Done on moves to transform the US automotive industry

Congress orders a clean-up

US CAR MAKERS accept that environmental pressures will transform the automotive industry over the next 15 years.

According to a Ford report, environmental concerns are one of the most serious issues facing the company.

A study by a team led by Mr Ernie Savoie, a senior executive at Ford's world headquarters in Dearborn, Michigan, says that concern over the environment and other issues, will affect "the size and shape of cars, what is in them, how they are made, where they are allowed to go and even who can own them."

It warns that urban congestion in the advanced economies will become so bad that private vehicle use and thus production will be cut.

The level of exhaust pollution means car makers will have to bear some of the burden of reducing global warming.

The report says: "We will see tighter fuel mileage requirements, alternative fuel incentives, fuel conservation taxes and other restrictions."

International imbalances in the extent of environmental regulation will have a significant bearing on the development of the global auto industry, affecting the costs, sales and prosperity of individual companies.

Recyclable materials must be found for vehicles not fuelled by petrol, the report says. Joint venture research would be necessary to meet environmental regulation.

US Federal emission standards (grm/mile)*

Carbon monoxide	Hydrocarbons	Nitrogen oxides
3.4	0.41	1.0

*1983 standards: they are expected to be toughened for 1993. Source: Johnson Matthey

It is against this background that the US has been debating a new Clean Air Act.

Proposals have come from both Houses of Congress and the legislation is now being reconciled, but it is likely that a new, tougher Clean Air Act will be approved later this year.

The overwhelming approval by the Senate in April of its version of a Clean Air Act means that the most important legislation affecting US industry in a decade is now almost certain to become law.

It will introduce sweeping changes to environmental controls on US industry.

Car makers, electricity utilities, coal companies and plants in a range of heavy industries will bear the brunt of the proposals to cut down on emissions.

The costs of complying with the Act could damage competitiveness, and there are strong suggestions that the US has already reached the point of diminishing returns.

For example, it was relatively cost-effective to cut the first 96 per cent of exhaust emissions from cars at less than $600 per tonne. Squeezing out the last 4 per cent on new models will cost 20 times that much.

Indeed, adding $600 to the cost of each new car could actually slow the phase-out of the 45 per cent of dirtier pre-1983 model cars which account for 85 per cent of emissions.

Speeding up fleet turnover through enhanced inspection, and fees on polluting cars, could cut emissions for less than $4,000 per tonne.

That compares with more than $13,000 per tonne for the new exhaust standards and $40,000 per tonne for mandating alternative alcohol fuels.

These are some of the arguments deployed by the army of lobbyists who have been mobilised to fight the proposed Act. Their more extreme claims can safely be dismissed as special pleading. Yet there is no doubt that the Act will have a profoundly affect the country's industrial structure.

Indeed, the differential burden of the measures contained in the Act has dominated the horse-trading – not least between the White House and Senate leaders – which has resulted in substantial changes to the original proposals.

Mid-western and Appalachian states are angry that they will have to pay for reductions in smog and acid rain in north-eastern and Pacific states. They fear that the price will be fewer jobs in power utilities, mines, chemicals plants, steel works and car factories.

The measures bear the stamp of compromise. The oil and motor industries, for example, succeeded in killing a move to force them to introduce methanol as an alternative to petrol for cars. But they could still be obliged to phase in cleaner, reformulated petrol in the nine most smog-ridden cities from the mid-1990s.

The result pleases few environmentalists and even fewer on the radical right who believe that there is inadequate scientific justification for much of the Act. But the very fact that Congress looks set to approve such sweeping reforms after more than a decade of abortive attempts at legislation reflects the environmental groundswell now running through the US.

And where the US leads, other countries are likely to follow.

While the Act may add to the burdens on US business, it could also bring US industry some competitive advantages. Car manufacturers, for example, with experience of the new measures will be in a good position to respond quickly and flexibly as similar provisions are introduced elsewhere.

Barbara Durr on a new method of checking emissions

The chemist challenging conventional wisdom

A BRITISH chemist at the University of Denver, Colorado, is challenging conventional wisdom about vehicle emissions.

Professor Donald Stedman, from Highgate, London, has devised a piece of equipment that can measure the carbon monoxide emissions of moving – rather than stationary, as is the normal US practice – vehicles.

He has discovered that a tiny fraction of the millions of vehicles on American roads are responsible for most of the air pollution.

In an experiment funded by the state of Illinois last year, Professor Stedman measured the carbon monoxide coming from 12,000 vehicles.

He found that 8 per cent of vehicles accounted for half the pollution and another 11 per cent accounted for roughly the other half.

More importantly, the professor says that contrary to the widely held notion that older cars are dirtier, he found that cleanliness was more a matter of how well cars are maintained.

A 1978 Chevrolet, which does not have the latest in Detroit's emission control equipment, was the cleanest vehicle examined. A 1986 Jeep, however, with all the more modern emissions equipment, was the dirtiest.

The professor found that a fraction of the vehicles on US roads cause most of the pollution

Maintenance was also clearly the secret for a 1934 vintage Chevrolet, which passed the test with flying colours.

"It's all tuning and maintenance, not the age of the car," Prof Stedman says.

The professor's gadget, which was set up on a roadside, shot an infra red beam at passing vehicles while sensors measured the carbon monoxide puffing from the exhaust pipes.

A video camera simultaneously recorded the vehicle's registration number.

The professor's machine could revolutionise vehicle emissions testing, according to Mr. William Denham of the State of Illinois' Department of Energy and Natural Resources, who says it could halve the current $23m bill that the state pays for conventional testing of emissions.

Professor Stedman contends that the US may waste millions of dollars by tightening emissions standards for all cars when the majority – even 75 per cent of old cars – are relatively clean most of the time.

The problem lies in detecting the few offenders, and this is what the professor's machine does.

The current emission testing procedure, which was devised by the US Environmental Protection Agency (EPA), tests cars when they are stationary, and is generally applied on an annual basis.

The central issue here, says Professor Stedman, is that manufacturers have spent years designing cars that will pass the stand-still emissions test, but not necessarily be clean when they are on the road.

For example, a new Chevrolet Corvette would fail the test after it got into second gear, he said.

Illinois officials are considering replacing the standard EPA style test with roadside scanners to measure vehicle emissions. The worst offenders can then be called to account, while the rest of the driving population is free to go about its business and avoid the long annual inspection queues.

Professor Stedman has been commissioned to improve his device to be able to measure hydrocarbons, which cause the greatest ozone problem.

That test will be conducted later this year, although the results are expected to be similar, given the close correlation between carbon monoxide and hydrocarbon emissions.

Illinois officials are considering replacing the standard test with scanners to check emissions

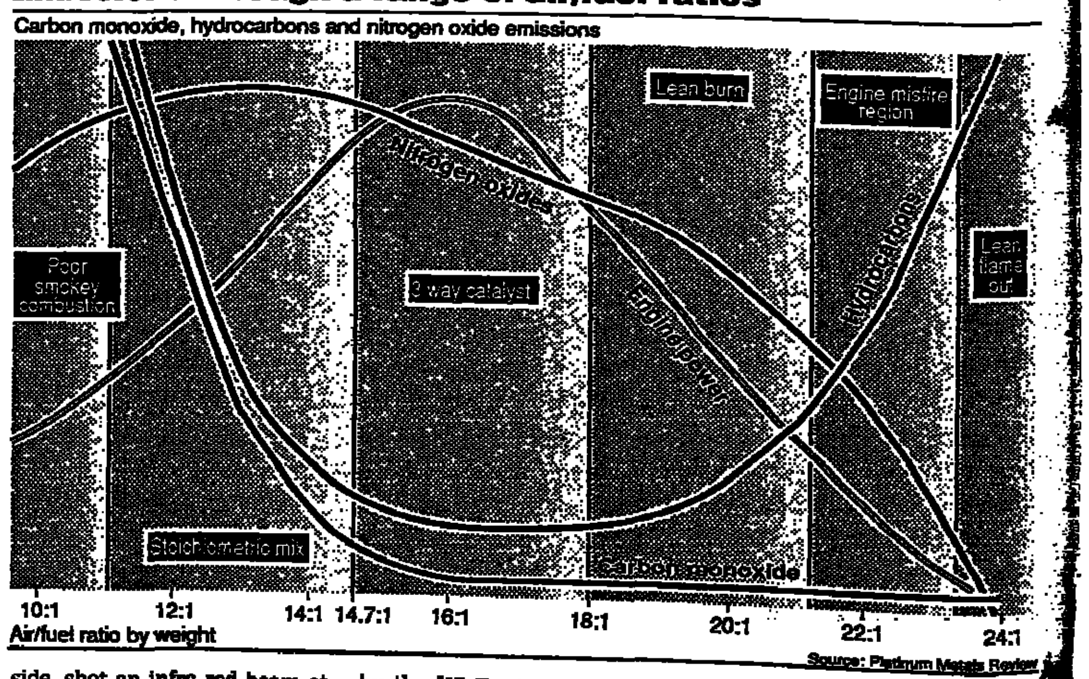
While EPA officials have generally been rather hostile to Professor Stedman, some are starting to take note.

The EPA research office in Ann Arbor, Michigan was the first purchaser of the Stedman infra red car scanner.

The professor is currently seeking a commercial vendor for manufacture of his invention.

Emissions through a range of air/fuel ratios

Carbon monoxide, hydrocarbons and nitrogen oxide emissions



Source: Platinum Metals Review

The world according to Mercedes-Benz

Even more extraordinary than the appearance of this multi-limbed alien is the cleverness of its brain. And that is exceeded only by the nastiness of the world it creates. Imagine some never-to-be-wished motoring nightmare. A blown tyre on a B-road and an oncoming truck, perhaps. Why not throw in a sharp bend, a touch too much speed and some ice?

SIMULATOR DUPLICATES TREACHEROUS ROAD CONDITIONS

No matter how chilling the scenario you conjure up, this driving simulator will have taken Mercedes-Benz cars and engineers there already. It will have helped to ensure that safety elements built into every Mercedes-Benz – whether they're braking, powertrain, steering or suspension systems – are as effectively designed as it is possible to make them.

Within the high-tech confines of this unique Mercedes-Benz research tool, the entire world of driving experience can be reproduced.

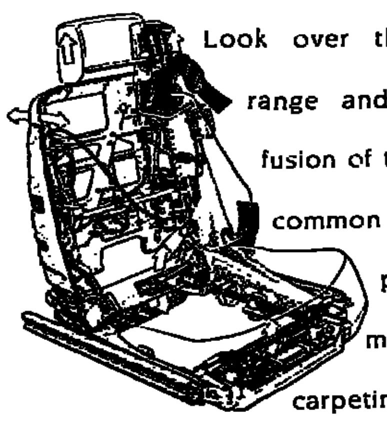
Every driving sensation, every road condition, every conceivable traffic and climatic hazard is on tap. (It is possible, for example, to generate enormous simulated lateral acceleration, the sort of cornering stress that only expert drivers can draw from the world's most exotic production sports cars.)

And the benefits to be reaped from such research – be it the design of a Mercedes-Benz seat or direction indicator, a rear suspension linkage or foot pedal – are all the more conclusive for the exceptional realism of the simulator testing.

MERCEDES-BENZ DRIVING SIMULATOR CAN CONTAIN AND TEST EVERY MODEL UP TO THE S-CLASS SALOON FOR RESEARCH PURPOSES

Luxury Sits Easily With Safety

But never suppose there is no room in the heart of a Mercedes-Benz designer (or driving simulator) for life's little comforts. Look over the current Mercedes-Benz range and you'll discover a careful fusion of the rational and aesthetic: the common sense of a flawless driving position, the warmth of new, more luxurious fabrics and carpeting; the support and comfort of redesigned seats that are yielding yet firm enough to inhibit tiredness on long journeys.



NEW MAGNESIUM SL SEAT FRAME MARRIES PROTECTIVE STRENGTH AND COMFORT

And, as the car's aerodynamic efficiency lets it cleave the air in near silence, and as the rubber bushing of the subframes and the generosity of the insulation so effectively isolate the interior from mechanical vibration and road noise, yet another priority becomes apparent. Mercedes-Benz engineers discovered long ago that what you don't experience in a car is just as important as what you do.

Ergonomically Ideal Controls And Instruments

Never has a Mercedes-Benz driver been more ably assisted by the crisp logic of the instrument panel and control layout than he is today. Both are models of clarity, perfected in the crucible of the driving simulator; every important control is placed within natural and instantaneous reach, and only information that is crucial to driving safety is grouped directly in the driver's field of view. There is no distracting gimmickry, no digital nonsense, and there are no pseudo-electronics.

SIMULATOR CREATES REALISTIC DRIVING ENVIRONMENT

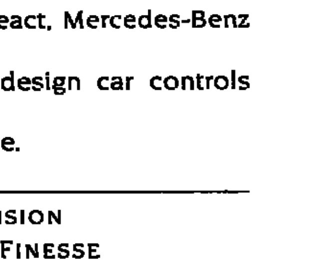
Once in the driver's seat, your hands fall onto an ergonomically satisfying steering wheel. And on the move, the power-steering assistance varies subtly to complement your own inputs at all speeds, and to ensure maximum feedback sensitivity – precision without exertion – another vital safety and comfort bonus. Yet another bonus is the simulator's ability to test driver reaction to stressful conditions. By learning how human beings actually react in emergencies, as opposed to how they believe they would react, Mercedes-Benz engineers are better placed to design car controls that will assist accident avoidance.

Advanced Suspension Improves Handling Finesse

Underpinning the assured and reassuring on-road behaviour of all models, are suspension systems engineered to ensure maximum tyre contact and grip. Multi-link rear suspension, for instance, is now used extensively. This Mercedes-Benz invention disciplines self-steering and toe-in tendencies that the rear wheels of all cars are prone to under extreme conditions.

The independently located damper and spring arrangement of the wishbone-mounted front suspension combines the compliant, accommodating ride of long-travel coil springs with the control that dampers anchored close to the wheel-hubs provides. Such optimised front and rear suspension design assures the driver of enviably safe and neutral handling and exceptional comfort at all times.

In the motor industry, no less than in other fields, the search for the best solutions to universal problems is a painstaking business.



MULTI-LINK REAR SUSPENSION IMPROVES STABILITY

Making the driver's environment as safe and comfortable as it is stimulating, is an ideal that Mercedes-Benz engineers continue to try to perfect as they re-enter, again and again, the unique world of their driving simulator in search of answers that only it is equipped to give.

Engineered Like No Other Car In The World.

John Griffiths describes the Californian city's efforts to promote electric vehicles

Los Angeles takes the initiative

ONE OF THE most ambitious projects in the century-old history of the car to promote the use of electric vehicles is gathering momentum.

If the so-called 'Los Angeles initiative' goes as planned, there will be 10,000 electric cars and vans on the roads of the vast, sprawling and smog-shrouded Californian metropolis by 1995.

User experience should then determine just how realistic the region's environmental legislators are being in setting out clean air standards which by the year 2010 could only be met – barring some totally unexpected breakthrough into new technology – if 70 per cent of all vehicles operating in the region, or more than 6m, were to be electrically-powered.

As a stepping stone along this route, the legislators – in the form of the state's South Coast Air Quality Management District – will effectively require a population of up to 1.7m electric vehicles to be operating in the Los Angeles region by the end of the next ten years.

"The time for electric vehicles has come," says Mr Marvin Braude, a Los Angeles city councillor who first proposed the initiative, in 1988, in the form of a competition between vehicle manufacturers to mass produce a viable electric car.

Mayor Tom Bradley agrees: "Someday in the very near future, electric-powered automobiles and buses will be a common, integral part of our Los Angeles transportation network."

The initiative is jointly sponsored and is being overseen by the city council, its Department of Water and Power, and the private sector utility, Southern California Edison.

The aims are to identify the potential mass of problems

City officials are convinced that the time of the electric vehicle has come

associated with such a fundamental transformation of personal transport and to smooth its path.

The Department and Southern California Edison are providing development funds to the chosen companies.

In addition, they are devising both state and federal authority fiscal incentives to make the use of such vehicles *financially attractive – in the* same way that the UK Government, for example, exempts electric vehicles from road tax and in the past has given subsidies of £4,000 per vehicle to various 'EV' (electric vehicle) programmes.

Among the various detailed proposals is the Fleet Purchase Rule, which would require businesses which have fleets of 15 or more cars or light commercials to buy low emission vehicles.

"We see the initiative as providing an incentive for companies to produce electric vehicles by fostering a demand in Los Angeles.

"By creating this unique public/private consortium – a kind of pooled buying service – we can tap the tremendous buying power that exists among the millions of residents and the business community in southern California", says Mr Braude.

"It will make an exceptional difference to the southland if electric vehicles are developed in five rather than 20 years," he adds.

More than 200 manufacturing, marketing and financial organisations, individuals and agencies were approached in the initial stages of the competition.

Of the 18 responses received, "unfortunately, none was from the major US automotive manufacturers, General Motors, Ford and Chrysler", according to Mr Braude.

"Although they were interested in the project, they did not respond because they did not perceive a market for electric vehicles. We intend to prove them wrong," he explains.

The message may, however, already be getting across. Although GM, for example, chose not to commit itself to firm bidding as a project participant, it is now making substantive efforts of its own to develop a viable electric car, known as the Impact (see separate article).

The competition winners were: Vehma International, part of the Canadian-owned Magna International components giant which, in partnership with Chloride EV Systems of the UK, is to supply GM panel vans adapted to run electrically;

Clean Air Transport (CAT), an Anglo-Swedish company, which acquired the "Whisper", an electric vehicle project developed in Denmark, with Danish Government funding, in the mid-1980s. CAT, headquartered at Göteborg, Sweden, is to provide 4,000 small cars and vans which, however, will be built initially in the UK and later in North America;

Unique Mobility of California, which is to supply 3,000 seven-seater "people carriers" based on a Chrysler mini-van.

Seen from a commercial viewpoint, however, the initiative is not quite the breakthrough it appears.

This is because the City of Los Angeles is putting relatively little of its own money into the project.

It plans to buy a few of the vehicles itself, but has committed mainly to organise their distribution and sale to other fleet users, who will receive subsidies to operate them.

Even so, "it needs just the one proposal like this to get the whole ball rolling", according to Mr Bill Johnson, marketing director of Chloride's electric vehicles subsidiary.

The initiative should provide some clearer insights into key areas of doubt about electric vehicles, quite apart from how they are able to perform.

It should resolve, for example, some of the arguments about whether there can be any real saving in terms of air purity if the power that allows battery vehicles to operate cleanly has to be provided by more and larger fossil-fuelled power stations pumping their own huge volumes of carbon dioxide and other polluting gases into the atmosphere.

Los Angeles' Mayor Bradley insists that even allowing for this, battery vehicles would be much cleaner.

According to Mr Michael Gage, vice president of the board of commissioners for the city's water and power utility – the largest municipally-owned entity of its type in the United States – battery-powered electric vehicles are actually 97 per cent less polluting than petrol-powered cars, even when electricity generation needed for battery recharging is taken into account.

Mr Gage's department already operates a fleet of General Motors G-vans powered by batteries, under a programme started with GM's former Bedford subsidiary in the UK.

Another utility, Southern California Edison, has a 15-strong fleet of G-vans and is lending them systematically to public and private fleet operators in California to allow them to weigh up the advantages and disadvantages of operating electric vehicles.

Perhaps of most interest to private motorists are the vehicles planned for production by Clean Air Technologies: a three-door four-passenger saloon, a light van and a pick-up.

Maximum speed is said to be 70mph and a range of up to 65 miles on a single charge of the state-of-the-art lead batteries is claimed.

However, the CAT vehicles, which are being developed further by the International Automotive Design consultancy at Worthing in the UK, will have an auxiliary internal combustion power unit of less than one litre capacity.

This auxiliary internal combustion unit can be brought into use to either drive the electric motors on long journeys, or alternatively to provide additional performance and battery recharging functions.

The capital cost of electric vehicles is currently considerably higher than that of conventionally-powered vehicles.

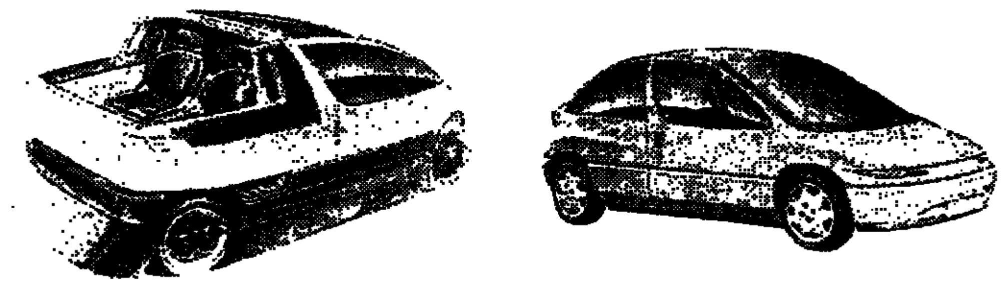
Nevertheless, according to one of the US federal institutions studying 'EV' prospects, the Electric Power Research Institute, an electric van of GM's type can have whole-life costs over eight years that are competitive with petrol vehicles, given slightly cheaper electricity and a $1.15 per gallon petrol price.

The capital costs of electric vehicles are much higher than for conventional vehicles

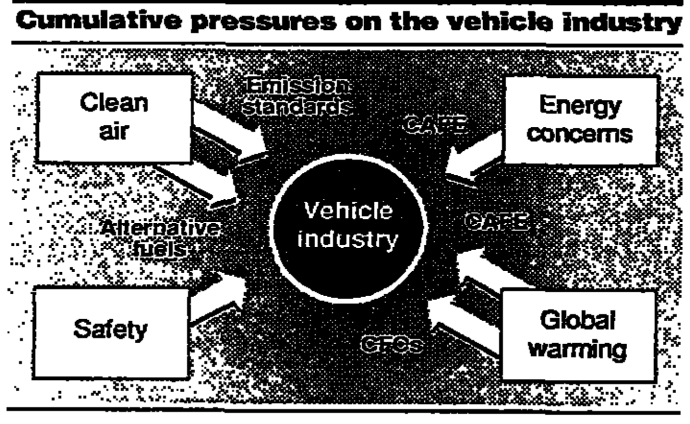
In terms of performance, however, the gap between electric and petrol or diesel-powered vehicles is huge, and is likely to remain so in the absence of new, more powerful types of battery.

The G-Van, for example, can carry 700kg for a maximum of only 60 miles, and less than that if its 52mph top speed were to be used all the time.

The smog-shrouded streets of Los Angeles: if the LA initiative succeeds, there could be 10,000 electric vehicles – perhaps similar to those designed by CAT (below) – on the roads by 19

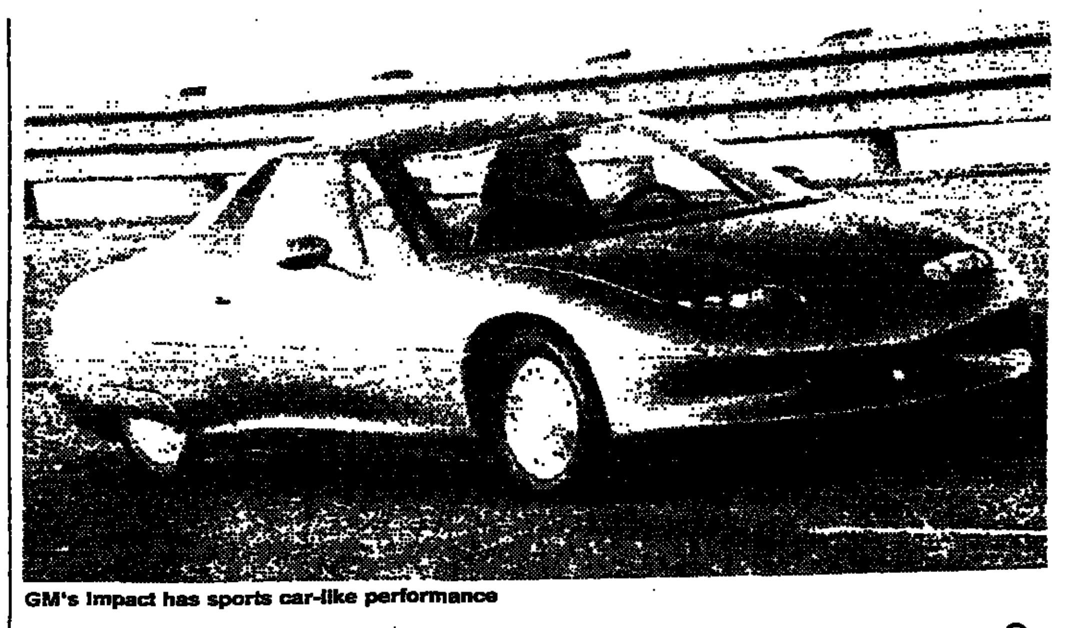


Cumulative pressures on the vehicle industry



US FLEET CHARACTERISTICS
Fuel economy standards

Characteristic	At 27.5mpg	At 40-45mpg
Passengers	5/6	4
Int. vol (cu ft)	98	80-85
Average weight (lb)	3,375	2,000
Average engine size	2.7l	1.4l
Typical vehicle	Taurus	Festiva/Escort



GM's Impact has sports car-like performance

Electric cars: the answer to green pressures ?

Making an Impact

FOR NEARLY a century, the attempts of inventors, entrepreneurs and large vehicle companies to launch commercially viable electric cars have stalled, usually well before they were near to reaching the marketplace.

However, environmental and political pressures might be about to provide the much-needed final push for electric vehicles.

Planned Californian legislation for the early 21st Century, which envisages a *de facto* ban on most internal combustion vehicles in that state's smog-shrouded metropolitan areas, provides an extreme example of such pressures.

But with increasingly widespread acceptance that – unlike the oil crises of the 1970s – environmental problems as they relate to vehicles will not disappear, even the motor industry giants are exploring the potential of the electric car more seriously than ever before.

General Motors chairman Mr Roger Smith insists that the world's biggest vehicle company will, within the next few years, put into true volume production a version of the Impact, a sleek electric car unveiled earlier this year – appropriately in smog-bedevilled Los Angeles – and which answers some, at least, of the many criticisms that have been levelled at such vehicles.

When demonstrated at Millbrook proving ground in the UK earlier this year, the Impact proved capable of reaching 100mph and accelerating to 60 mph in a little over eight seconds; figures which would not disgrace a conventional sports car.

Propelled by a pack of 32 batteries connected in series to provide 320 volts, it emitted, naturally, no exhaust pollutants, and has a range of up to 120 miles before a recharge is needed, although only at more conservative speeds.

However, Mr Smith declined to say precisely when or where Impact might enter production, its likely cost and other pertinent factors.

His reluctance to do so, "for commercial reasons", has inevitably provoked scepticism about the car's future.

If Impact did not in fact enter production, it would not be the first time that GM – or, indeed, Ford and some other major car makers – have declared an electric car to be imminent, only for it not to see the light of day.

In 1980, for example, with the motor industry reeling from the second oil crisis, former GM president, Mr Elliot "Pete" Estes, said that a battery-powered hatchback would be in production at an annual rate of 100,000 units by 1984.

That it did not happen was due to a combination of familiar problems of costs, poor range and performance, longevity and other factors not living up to expectations. In addition, concern about oil prices soon diminished.

There have been a host of other disappointments in the recent history of the electric vehicle.

Also in 1980, US conglomerate Gulf & Western claimed to have found the solution to electric car travel with a zinc/chlorine powerpack capable of powering a car at up to 60mph for 200 miles.

The motor industry is examining the potential of EVs more seriously than ever

In Japan, a Ministry of Trade and Industry initiative to have manufacturers jointly put thousands of electric cars and light vans on the roads in the early 1980s did not produce the hoped-for breakthroughs in battery and other relevant technologies.

GM's Impact is not a viable proposition in its present form. It still uses lead acid batteries, which, despite being of advanced type and compact form, weigh a daunting 870 pounds and take at least two hours to charge.

Battery life is equivalent to 20,000 miles of typical US motoring, but GM admits this needs to be doubled before Impact can compete with petrol or diesel cars on whole life costs.

Similar problems are apparent in two European battery cars which were put on sale earlier this year: Fiat's Panda Elettra and an electric version of the Peugeot 205.

Both are expensive – £12,000 equivalent for the Panda, for example – and both manage only 50-60mph and perhaps a 60-mile range.

Battery life is again 20,000-30,000 miles, and the cost of a replacement pack at least £1,000; a high price to pay for not obviously polluting the atmosphere (although the recharging electricity may have come from a pollutants-emitting coal- or oil-fired power station).

The situation could be markedly changed, however, by the emergence of a "superbattery", for which there are rising hopes.

UK batteries group Chloride is starting pilot production in Manchester of batteries which use sodium and sulphur as their couple, and which have proved their ability to store, size for size, up to four times as much energy as lead acid units.

Chloride has been developing the sodium sulphur battery for more than a decade, but progress was given a boost in March with the signing of a joint venture agreement with RWE (formerly Rheinisch-Westfalisches Elektrizitatswerk), the largest electric utility in West Germany, to undertake the initial commercialisation, manufacturing and marketing of the batteries.

The intention is to stimulate development of the market for such batteries with a view to later expansion into full-scale production.

As usual, there are complications – in the case of sodium/sulphur, for example, there is the requirement to operate at temperatures of more than 300 degrees Centigrade.

Nevertheless, BMW has a prototype electric 3 series car using sodium sulphur batteries, with a top speed of 60mph and a range of up to 100 miles. However, the battery pack weighs 500 pounds and has to be kept inside what is effectively a huge insulated blanket.

Chloride's optimism that the electric vehicle may be turning the final corner has been given a strong boost by developments in California and, in particular, the "Los Angeles initiative" (see opposite story).

Although, as discussed elsewhere in this Survey, that initiative has yet to involve the major vehicle manufacturers, if hopes are realised of having a large test fleet of electric cars operational within a few years, "it could get the whole ball rolling", says Mr Bill Johnson, Chloride's batteries marketing manager.

US industry is beginning to get a grip on the technologies required, says **Barbara Durr**

Ford favours alternative fuels in the battle for clean air

THE BATTLE to clean up America's automobiles is moving into a new, tougher phase. The 1990 Clean Air Act, still to be finalised in Congress, is expected to set stricter standards for what comes out of vehicle exhausts and substantially boost moves toward alternative fuels.

The Ford Motor Company, like its two major US rivals General Motors and Chrysler, is trying to meet the challenge, albeit with some complaints about the pace of change required by the new legislation.

The industry's unenthusiastic lukewarm attitude toward pollution controls is not new.

But the companies have soldiered on and in the last two decades, companies have succeeded in creating several generations of emissions control equipment, each more effective than the last.

After some fumbles in the 1970s, the industry has managed to get greater technical hold on the problem without sacrificing vehicle performance, according to Mr Kelly Brown, Executive Engineer for Fuel Economy and Emission Control Planning at Ford.

The latest equipment reduces car emissions of hydrocarbons and carbon monoxide by 96 per cent compared with cars built in the early 1970s.

While progress has been made, the new Clean Air bill will force Ford and other companies to cut toxic emissions further by the mid-1990s.

Ford has responded by lobbying Congress for less emphasis on tighter emission controls.

It argues that the air quality increases from such controls, which will be expensive to develop, would be minimal.

"We can bring the numbers down some more, even cutting them in half, but that's just a 2 per cent gain. The benefits you get are much smaller and they are much harder to do," said Brown.

Ford contends that developing alternative fuels and vehicles that can use them would be a better investment.

The company has been working for more than a decade on methanol powered cars and what it calls a flexible fuel vehicle (FFV), which can run on petrol, ethanol methanol or any combination of those.

The new Clean Air bill, which must reconcile House and Senate versions, will definitely include a programme to promote development of alternative fuels.

From Ford's perspective, the House version is more clearly drawn, requiring a pilot programme for 300,000 alternative fuel cars to be in place in California - the state with the most severe pressing pollution problems - by 1994, and that by 1995, some 30 per cent of commercial vehicle fleets be converted to a mix of alternative fuels.

The Senate version calls initially for a program in nine cities, but allows discretionary decisions for all state governors to impose a program in each state. This could prove chaotic, according to Ford.

Meanwhile, the company this year launched a research programme with the Sun Refining and Marketing Company on alternative fuels in Dearborn, Michigan, where Ford's headquarters are located.

The Clean Air Bill will include a programme to promote use of alternative fuels

The two companies hope that the programme will show methanol's possibilities.

According to Ford, even if a combination fuel of just 10 per cent methanol is used, the US could save 270m barrels of crude oil annually

However, while methanol would reduce ozone formation, it has half the energy content of petrol and thus would require a larger fuel tank. It also is more corrosive than petrol, requiring tanks to be built from corrosion-resistant materials

Ford is also participating, along with General Motors, Chrysler and 14 oil companies, in a joint $15m research effort on a range of alternative fuels.

According to Ms Helen Petrauskas, Ford's vice president for Environmental and Safety Engineering, this project represents "the first time research has been done with catalyst-equipped vehicles to determine how what goes into the fuel tank affects what comes out of the tailpipe."

The company is also working on pollution-free electric vans, aiming more for a select market of commercial vehicles with regular delivery routes.

The company said it believes this technology holds great promise, though definitely in the "far longer term."

Currently, the electric vehicle can only go 100 miles without recharging and it takes eight hours to recharge.

Ford vice president for research, Mr. John McTague, said of FFVs or electric vans: "It's going to take more than mere wanting to put on the road, in significant numbers, either of the two vehicles."

A 10 per cent methanol fuel could save 270m barrels of crude oil each year

Only a combination of government and industry initiatives will make such vehicles a viable option in the future.

With the mood in Washington swinging toward greenness, industry is likely to see greater government initiatives.

Even some leading environmentalists, such as Mr Richard Ayres of the Washington-based Natural Resources Defense Council, say that the last 20 years of fighting for cleaner cars "is a remarkable example of how government policy has been pushing technology."

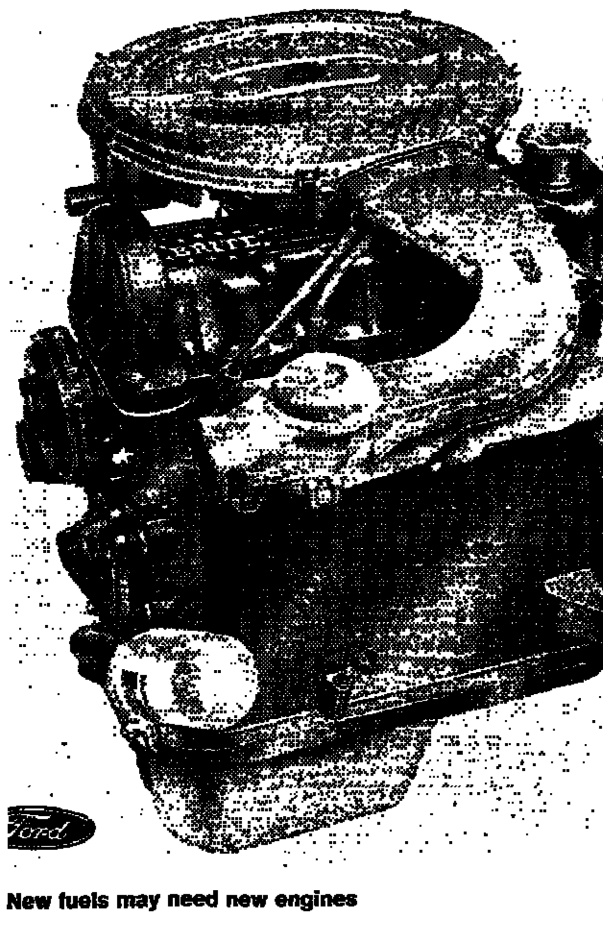
What remains uncertain for Ford and other manufacturers is how receptive the car buying public will be to FFVs or any other vehicles.

Ford fears that it will be cornered into producing FFVs and then face the prospect of finding "buyers for something they probably don't want," said Brown.

In the House version of the Clean Air Act, car companies will face fines for not selling enough alternative fuel vehicles.

Mr Ayres, who chairs a coalition of 30 environmental groups that lobbied for the clean air legislation, seems unworried about the potential commercial risks.

He points out that while the industry has traditionally adopted an attitude of "we can make a cleaner car but you won't like it," it has nonetheless found ways to make better, more fuel-efficient cars. And now, he suggests, if they don't, the Japanese will.



New fuels may need new engines

Sources and benefits of alternative fuels

Fuel	Source(s)	Benefits
Methanol	Natural Gas, coal and biomass	Reduces ozone
Ethanol	*Biomass*	*Reduces ozone*
CNG	Natural gas wells, anaerobic digestion and coal	Reduces ozone
Propane	Natural gas wells, crude oil wells and as a by-product of refinery operations	Reduces ozone
Hydrogen	Sea water	No carbon dioxide

Ford methanol-powered car

VW's diesel-electric Golf: 113 mpg claimed, but Prof Seiffert says production costs will have to fall

John Griffiths profiles research at Volkswagen

Cars for stop-go traffic

CARS ACCOUNT for 80 per cent of individual transport needs in industrialised countries, and commercial vehicles handle more than 50 per cent of their freight.

According to Prof Ulrich Seiffert, Director of Research and Development at Volkswagen, both figures will continue to rise because "there is no convincing alternative".

However, traffic congestion is increasingly sapping the efficiency and raising the cost of freight transport by road, as well as frustrating car users and, not least, generating substantial extra pollution. The situation will worsen, says Prof Seiffert, unless new ways are found of integrating cars more successfully into the total pattern of transport.

On the exhaust emissions front, one particular concern of VW relates to very slow 'stop-go' traffic in urban areas.

To combat this, VW is showing renewed interest, via its 'Eco-Golf' prototype, in cars whose engines can be stopped, however briefly, in crawling traffic. The automatic flywheel energy system has a second clutch which disengages the flywheel, allowing the engine to stop anytime it is not needed to propel the vehicle. When the car needs to move again, the engine is restarted by the still-spinning flywheel's energy.

In the Eco-Golf, the system is combined with VW's 'Umwelt' diesel engine, the only one in production also to be fitted with a catalytic converter, and which VW claims is the world's "cleanest" commercially available car engine. Apart from reduced exhaust emissions, a direct benefit to the owner is reduced fuel consumption.

VW is also actively engaged in developing battered-powered vehicles, such as its "City Stromer" version of the VW Jetta saloon. The vehicle uses advanced sodium-sulphur batteries, which store between three and four times as much energy as similar-sized lead acid batteries. But Prof Seiffert acknowledges that production costs have to be lowered significantly and battery life extended before vehicles powered in this way can be viable.

As with other 'alternative' power systems, "the emotional desire for a solution to fuel consumption and environmental problems is frequently greater than the current state of the art can justify in technical terms", he concludes.

VW's own possible transitional solution, a 'hybrid' car combining batteries and an auxiliary engine to overcome the range and performance problems of a wholly battery-powered car, could be put into production within a few years if demand was felt to warrant.

The prototype "Duo" Golf which the company has demonstrated widely this year, and the forerunner of at least 20 more to be built for assessment purposes, has two engines, one electric the other a diesel.

The diesel's flywheel is replaced by a thin electric motor which sits between engine and gearbox and, effectively, functions as the diesel's flywheel. The electric motor has a clutch at each end capable of disengaging the diesel engine and the gearbox separately. The electric motor also functions as a starter motor for the diesel and as an alternator, as well as propelling the car when battery power only is used.

The batteries on their own give the car a range of up to 30 miles. The diesel cuts in automatically at speeds over 37mph or when brisk acceleration is needed. The switchover is made automatically, using sensors and microswitches, and the engines never operate together.

The Duo Golf has already covered more than 40,000 miles on demonstration work. VW thus has been able to demonstrate that its claims for the car actually work.

Those claims are considerable: fuel consumption of 113 mpg in the EC urban test cycle, and a drop of more than a half in emission of nitrogen oxides and the main "greenhouse" gas, carbon dioxide.

The principal drawbacks are, as ever, cost – the vehicle would be at least as expensive as top-of-the range conventional Golf models – and possible market resistance because of the 'culture shock' drivers would experience in using the car.

Environmental pollution also embraces noise and VW is working on ways to minimise that transmitted both to the interior and exterior.

Encapsulation of the engine is one route being explored, in particular how to deal with the resultant higher under-bonnet temperatures. Like Group Lotus of the UK, VW is also working on 'anti-noise'.

Its Futura concept car – the more exotic attributes of which include an ability to park itself in a meter bay, helped by fore and aft sensors – is fitted with microphones in the seat head-rests. These analyse the noise being received by the occupants and cause a noise of opposing wavelength to be transmitted. The idea is that one cancels out the other.

However, apart from its self-parking ability and its futuristic, slope-fronted "one box" shape, the Futura is really distinguished by its engine.

The 1.7 litre, 80 bhp unit is regarded by VW as proof that petrol units have a viable future until well into the next century.

With conventional petrol injection engines, the accelerator is used to regulate the volume of air entering the engine. Injectors squirt the correct amount of petrol into the air-stream before it enters the combustion chamber with the aim of providing the correct air/fuel ratio.

The Futura's engine injects petrol directly into the combustion chamber, to combine with air forced into the chamber by a supercharger. Most importantly, the injection is made at exactly the time that ignition is due. Combustion efficiency is much greater, allowing the engine to use a very high compression ratio (16:1).

The efficiency of the combustion process allows the engine to run on very lean petrol/air mixtures, and require only a simple oxidation catalytic converter to meet all emissions legislation due on the stature books in both Europe and North America.

And, says VW, it uses about 30 per cent less petrol than even the most efficient engines currently in use.

However, Prof Seiffert points out that some of the most significant advances in terms of cutting pollution and congestion can be made outside the car – for example, in the form of computerised traffic information systems in which a network of roadside beacons exchange information on routes, destinations, congestion spots and so on with drivers via infra-red transmitters and receivers.

Exhaust emissions are not the only issue, says Daniel Ward

Manufacturers turn to pollution-free production

TRADITIONALLY strong, bright colours for cars have been produced by adding lead. Now Volkswagen and Rover claim that brilliant yellow and red are back on the showroom colour card because they can now be produced free of lead.

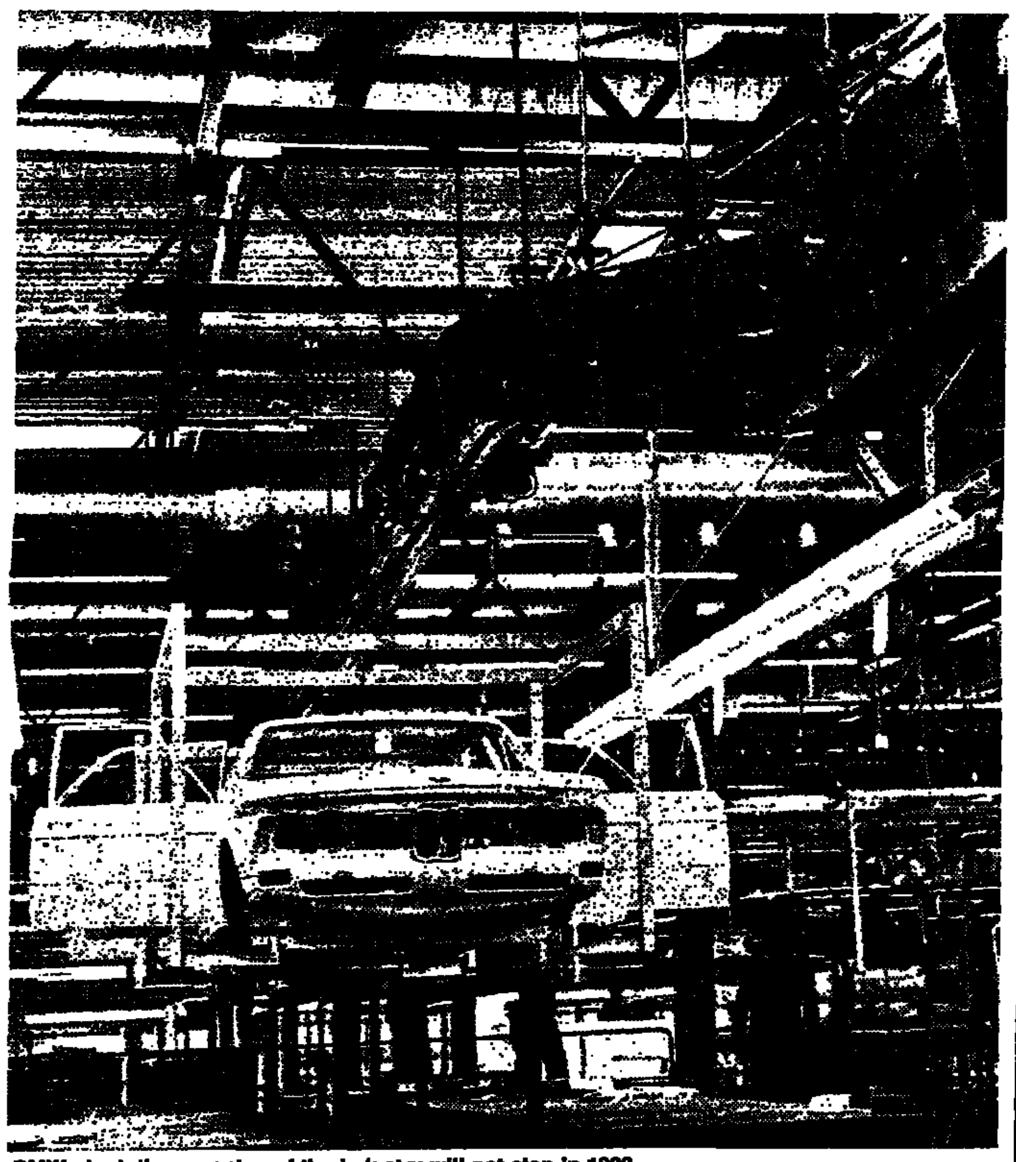
It is a sign of the times. Pollution from the motor car is no longer an issue just about toxic exhaust fumes and how to reduce them.

Increasingly, manufacturers must produce cars with the minimum of material, energy waste or pollution.

Making the car industry "green" has only just begun and certainly will not stop in 1992, by which time all cars should be fitted with catalytic converters and run on unleaded petrol.

The elimination of chlorofluorocarbons (CFCs), which are widely used in car air conditioning systems, for example, is high on the motor industry's agenda.

Increasingly, manufacturers must produce cars with the minimum of material, energy waste or pollution.



BMW plant: the greening of the industry will not stop in 1992

Several companies have developed machines designed to prevent leakage of CFCs to the atmosphere when the refridgerant is removed, either during servicing or when the vehicle is scrapped. Volvo predicts it will be 1993-94 before there is a CFC-free refridgerant – chlorine-free R134A – for car air conditioning systems. Mercedes may be the first to use R134A in 1991.

Car interiors use a considerable weight of plastic and foam. CFCs are used as a foaming and mould release agent in the manufacturing processes and are emitted during the vehicle's life.

Different plastics are under development, however, and the Rover 200/400 already uses all CFC-free plastics, with the exception of the steering wheel.

Changing materials takes time, however, because it is easier to introduce new plastics and seat foams when a model is changed. This means that Volvo, for example, will not eliminate CFCs from car interiors until 1993.

The paint used for car bodies contains a considerable amount of pungent solvent which aids the drying process. To date, the industry has convinced itself that it was sufficient to clean the extracted air from the vast paint shops and re-cycling it.

The next step is to switch to water-based paints. Most manufacturers are evaluating this new generation of paints. Owners of metallic silver, blue or grey Volvos will already have cars finished in water-based paints, and other colours will follow.

For several years, VW has used water-based paint for the first of four coats of paint applied to the bare metal body and the second and third coats will soon switch from solvent-based paints.

The top clear coat, used mainly with metallic colours, will make the change in 1995.

Robots do most of the spraying of sticky protective underseal on to the bottom of cars, so there is no immediate health hazard.

However, like the paint, the underseal is solvent-based, leadingto a discharge of hydrocarbons from the factory.

Earlier this year, Volvo introduced a solvent-free underseal, cutting hydrocarbon emissions from its Swedish and Canadian plants by 550 tonnes annually.

Reducing material waste provides manufacturers with plenty of scope because of the huge throughput of material at car plants such as Wolfsburg, which builds 3500 VW Golfs every day.

Robots will completely replace people in the paint shops, leading to less over-spray. This in turn will reduce paint wastage and lessen the demands on the filtration systems.

Most vehicle manufacturers are currently yevaluating a new generation of water-based, lead-free paints.

For 40 years, Mercedes has been using waste paper from the factory to make papier-mache gloveboxes.

Similarly, waste plastic parts from the production line are re-cycled and blended with new material to produce plastic parts which fit in a Mercedes boot.

Some 11,000 tons of polypropylene is used every year to make plastic fuel tanks for the VW Golf. By immediately re-cycling the excess 4400 tons of expensive plastic can be re-used instead of being disposed of.

As the industry gears up to re-cycle as much of the plastics in a car as possible, it has begun to give every plastic component a coded mark so that when the vehicle reaches the end of its life, the parts can be re-cycled.

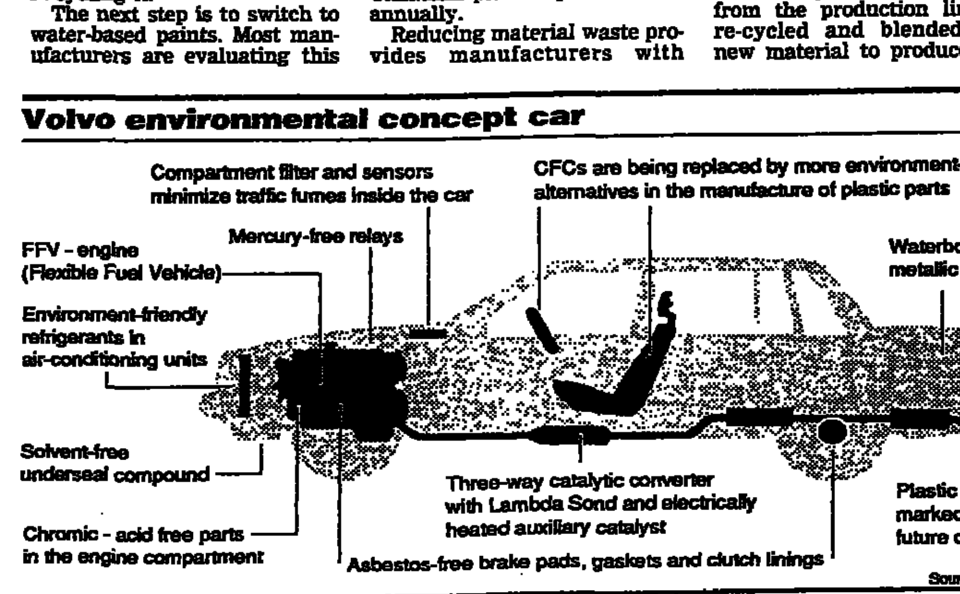
Although car factories are massive users of water, few can match VW's impressive conservation record of recycling 98.4 per cent of the water it uses; it even collects the rain water from the vast factory roofs. The water is re-used seven times before being returned to nature purer than the waters of the nearby River Aller.

Perhaps only VW has the luxury of ensuring that it consumes "clean" electrical power. At Wolfsburg it has its own power station and has installed electrostatic filters, desulphurisation and denitrification plants to clean the emissions. It even distributes the waste heat to the local community.

Car makers have still a long way to go in the complex process of "greening" car manufacturing. But in the long term, it is designing cars on the basis of whole lifetime energy consumption and pollution that will have a dramatic impact on plants. Plastics could largely disappear to be replaced by new materials. Aluminium may replace steel.

According to Mercedes, it would be be socially aware to build a vehicle disassembly plant alongside every factory so old vehicles could be re-cycled close to where the parts would be re-used.

Volvo environmental concept car



Source: Volvo

Jack Semple on new standards for trucks

Tough challenges ahead

MUCH OF THE research and development budgets of European truck engine builders is now spent on meeting stringent new minimum targets on exhaust emissions.

Engine designers have offered substantial improvements in fuel consumption over the past decade. For the next few years, however, it will be all that they can do to maintain fuel efficiency at its present level. Any increases will come from electronic fuel management, but they will be slight; some engines are likely to become less efficient.

The point was stressed recently by Jacques Padoan, head of engine research at Renault Vehicules Industriels. Some truck engines currently sold in Europe will be taken off the market over the next few years, as a direct result of stringent new regulations aimed at reducing atmospheric pollution from trucks, he says.

Others will have to be substantially modified. Indeed, turbocharging alone will not be enough; after-cooling will also be needed.

The more advanced technology will make diesel engines more expensive to buy and maintain, and there is concern about the ability of workshops to adapt, particularly at the lighter end of the market.

In the UK, diesel engines are estimated to be responsible for 11 per cent of all nitrogen oxide (NOx) in the atmosphere, compared with 31 per cent from petrol engines. NOx is a major contributor to acid rain and a major environmental issue. Diesels are more friendly in emissions of carbon monoxide, which contributes to the greenhouse effect, with just five per cent of the total against 81 per cent attributed to petrol engines.

For nearly 20 years, there have been regulations concerned with the smoke from engines, but detailed gaseus emission limits will soon be laid down for truck diesel engines for the first time. They will cover new vehicles registered from April 1991.

More stringent limits are in the pipeline, with a target date of 1992. Diesels are major offenders when it comes to particulate pollution – in larger cities, they are responsible for a major proportion of black smoke in the atmosphere. Under the planned new laws, particulates will be measured and controlled for the first time. It is at this point that intercooling will be need on most engines.

Most engine-builders are following a common technological path to meet their new targets. Intercooling will be matched with a fuel system with injection pressures almost double present levels, at around 2000 bar, higher compression ratios and reduced swirl in the combustion chamber.

Even tougher regulations are anticipated for the mid-1990s. Electronic control of fuel injection will become essential, along with catalytic converters or particulate traps. The requirements would mean diesel fuel with a substantially lower sulphur content – 0.05 per cent instead of 3 per cent – which is likely to cost the operator more. The fuel, which is costlier to produce, is already available in the US.

The world's leading engine manufacturers are working to meet similar US targets which have already been set, on earlier deadlines. Despite intense competition in in the industry, the cost of research and development has led to moves towards co-operation on basic research.

Iveco, the pan-European truck subsidiary of Fiat, is seeking collaboration with Japanese manufacturers, despite managing director Giorgio Garuzzo's complaint that "we are giving Japan the money to buy the world" and his strong lobbying to restrict the activities of Japanese truck companies in Europe.

Truck makers are reluctant to say how much the technological changes will add to the cost of trucks in the future. "It is impossible to say", according to RVI's Padoan. "When we use electronics and microchips, it will be possible to bring in other facilities which current technology does not provide.

"In other words, the extra facilities will cover not only the new regulations, but provide other facilities for the users of commercial vehicles."

Cynical operators will invest heavily in engines which do not meet the environmental regulations, but which are likely to be less expensive, equally fuel efficient, and probably less complicated to maintain. In the long-term, the environmental regulations will mean friendlier, but more expensive, road transport.

Richard Tomkins analyses 'road pricing' as a solution to traffic problems

Controlling congestion in the city

TRAFFIC congestion in cities is not a new phenomenon. Londoners today may bemoan average peak-hour traffic speeds of 11 mph, but this is a considerable improvement on the low of 8 mph reached in the early 1960s.

What has changed, however, is the scope for dealing with the problem. In the 1960s, the demand for road space was met by increasing the supply – in other words, building more roads. Today, the demand is growing as never before, but the options for increasing the supply are all but exhausted.

Inevitably, therefore, attention will have to switch from the supply side of the equation to the demand side. Access to cities by road will have to be controlled if the effects of congestion on quality of life and the urban economy are to be prevented from becoming unendurable.

Some controls already exist. In London, limited parking and high parking charges discourage commuting by car. Congestion is also a primitive pricing mechanism, since it obliges drivers to sacrifice the value they put on the time it takes to reach their destination.

But pressure is growing for a more efficient way of allocating road space to essential users – particularly businesses, which are facing additional costs running into millions of pounds a year through the need to keep bigger vehicle fleets, more drivers and higher stock levels than they would if traffic flowed more freely.

Theoretically, the best solution appears to be some form of charging people the marginal cost of their road journeys into congested areas. At present, this is limited to the relatively low cost of the fuel consumed, because most of the costs of running a car consist of fixed overheads such as the purchase price and insurance.

A large and growing lobby argues that this fuel cost should be supplemented by a system of road pricing – that is, charging people for the use of road space. This, it is said, would reduce congestion by encouraging more discriminating use of the roads – either by cutting out unnecessary journeys or encouraging more people onto public transport.

The simplest form of road pricing is to introduce an annual fee for a supplementary licence which gives drivers the right to enter congested areas at busy times.

This system, however, has a number of drawbacks. For example, it is inequitable in failing to take account of different levels of use of the congested area. It also presents difficulties for occasional visitors and creates the risk of parking problems around the perimeter.

A more sophisticated method of road pricing is to employ some form of electronic system. Vehicles, for example, can be fitted with meters which clock up charges every time a roadside device is passed: or, conversely, a central charging computer can log vehicle movements through roadside devices which "read" electronic number plates.

Electronic systems overcome many of the objections to road pricing because the roadside devices can be spread around in such a way that charges rise

Road access to cities will have to be controlled to protect quality of life

gradually as the mileage increases. Time of day and type of vehicle can also be taken into account.

The argument against electronic systems is that the cost of installing the necessary equipment in cars and at the roadside would be formidable. It would also be prone to presents the same problems for occasional visitors as the licensing system.

Perhaps the biggest obstacle to the introduction of road pricing is the question of enforcement. As Mr Cecil Parkinson, Britain's Transport Secretary, told a recent conference, even a simple road pricing scheme in London would generate hundreds of thousands of transactions in the morning peak alone. If only 1 per cent of drivers attempted to avoid payment – and experience with parking fines suggests the proportion would be greater - there would be millions of offences each year to be checked, investigated and prosecuted.

For all these reasons, few cities in the world have dared introduce road pricing. Lagos and Athens have experimented with a crude system of restraint by excluding cars with odd or even registration numbers on alternate days, but only Hong Kong and Singapore have tried anything resembling a full-blooded system.

The Hong Kong version, a relatively sophisticated system, was introduced in the form of a pilot project involving 2,600 cars in 1985. Inductive loops in the road read electronic number plates fitted to the vehicles, and a central computer billed drivers monthly.

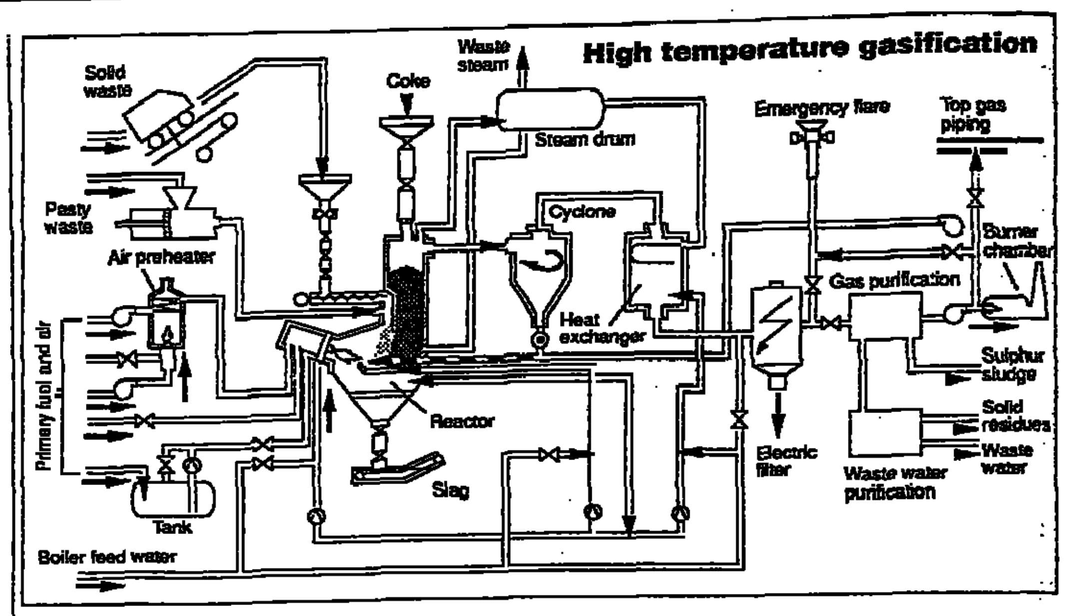
The technology worked and peak-hour car traffic fell by up to 24 per cent. But the project was dropped amid political objections, with motorists complaining that the method of recording journeys enabled police and jealous spouses to trace their movements.

The result has been to leave Singapore as the world's only city with a comprehensive road pricing system. Here, a relatively simple method has been in operation since 1974, whereby cars carrying less than four occupants need a supplementary licence to enter the central area between 7.30 am and 10.15 am. Cars are visually checked by traffic police as they drive past 29 entry points to the city.

Singapore, however, is tiny compared with other world capitals. London, for example, has far too many entry points for physical checking of licences to be feasible. Enforcement at entry points also fails to take account of the large numbers of vehicle owners living within the perimeter of the restricted area.

However, despite these obstacles, the lack of alternative solutions to the problem of urban congestion suggests that interest in road pricing will continue to grow.

The Hong Kong project suggests that the technology exists to make it work if political objections can be overcome, and with the theoretical arguments now widely accepted, the next few years can be expected to bring an upsurge in experimentation – most likely in Scandinavia and the Netherlands, where the subject is high on the transport agenda.



John Griffiths on the disassembly line

The recyclable car

MAJOR CAR plants of the early 21st century are likely to be an arresting sight. Out from one set of doors will stream the gleaming new products of the assembly lines; in through another will stream clapped-out wrecks, destined for the *disassembly* lines.

Perhaps as little as days later, recycled parts and materials from the wrecks will have been re-incorporated – in perhaps unrecognisable forms – into the new cars.

That is except, of course, for those plastic parts which have not been converted into gas feeding the power station which enables the assembly lines to operate, or which have been put to better use.

Major companies like Mercedes-Benz and BMW of West Germany see no reason why virtually 100 per cent of the materials which make up a car cannot be recycled as a significant contribution to reducing the demands made on natural resources.

In recent weeks, BMW, together with several partners in the chemicals and materials processing industries, has brought a pilot recycling plant on stream at Landshut, north of Munich.

The facility is being used to disassemble 1,500 cars over the next 12 months and explore how they might best be turned into reusable materials or energy, particularly in the face of such problems as the 'pollution' of parts (particularly plastics) by engine oil, brake fluid or other contaminants.

Not the least of the objectives, however, is to learn how to design future cars specifically so that they can be easily recycled.

BMW sees the Landshut plant as the precursor to a permanent facility capable of processing 250,000 cars a year, and hopes and believes that the entire motor industry will follow suit. It is likely that such a plant will be in operation for BMW by 1993. The site is expected to be at Wackersdorf, also near Munich, although no final decision has been made.

While a call by Mr Eberhard von Kuenheim, BMW's chairman, for co-operation on recycling among the world's vehicle makers has yet to bear fruit, most of the larger vehicle companies are already forging ahead with projects of their own.

Volkswagen, for example, opened a £2m recycling technology research facility in northern Germany last year.

However, achieving the 99 per cent recyclable car will be a long process, admits Dr Bernd Pischetsrieder, director of BMW's manufacturing engineering.

Development of the first car to be specifically designed for recycling would not start for around five years, with the full benefit not being derived until roughly the year 2020, as the first of such cars reached their end of their useful lives.

Mercedes, which has long made various interior trim parts, such as the glovebox interior, from waste newspaper and textiles has also started a pilot scheme to salvage accident-damaged bumpers and repair them in the factory, rather than dumping them. Parts beyond repair are ground down to form other components such as wheelarch linings, spare wheel covers and cable ducting.

Indicative of environmentally-sound measures which could be introduced almost immediately by the motor trade and industry everywhere, Mercedes' dealers in West Germany have their waste oil, brake and engine fluids systematically collected for recycling into useful new forms such as cleaning agents.

Mercedes is also recovering 100 per cent of precious metals from catalytic convertors and, among other items, nearly 100,000 tonnes of lead and thousands of gallons of sulphuric acid each year from batteries.

Meanwhile, Austrian group VOEST-Alpine has been jointly developing with Dow Europe, the European subsidiary of US multinational Dow Chemical, a high-temperature gasification process in which shredded plastic materials from simulated scrap cars are used primarily as a feedstock for the environmentally harmless production of a clean gas to produce steam for electricity-generating steam turbines, and hot water.

Other end-products include marketable sulphur and virtually carbon-free granules for use as a bulking agent.

Mr Michael Clark, Dow Europe's research and development director for plastics, is quick to stress that the process can provide some, but by no means all, of the disposal solutions to heavily plastics-based cars. It is, for example, particularly suited to thermoset plastics such as SMC (sheet moulded compound), which is already being used by General Motors and Renault for the body panels on their respective, van-like Lumina and Espace "people carriers".

Such materials can only be chopped up or burnt after their vehicle life has expired.

However, thermoplastics, made by a different process and applied to vehicles in areas mainly complementary to thermosets, can be melted down again and still retain many of their original properties.

After all the processes, including granulation, are taken into account, only 1 per cent of the original shredded waste finished up being dumped. Longer term, there is a possibility that biodegradable plastics, made by 'superbacteria', will supplant oil-based plastics in some vehicle uses.

Unlike oil-based plastics, the bio-plastics should slowly decompose into water and carbon dioxide.

The UK chemicals group, ICI, has just launched one such plastic, Biopol, which is being used in shampoo bottles.

Peter Nunn examines Nissan's approach

A strategy for the future

PREVENTING global warming, protecting the ozone layer and reducing acid rain are the latest catchphrases within the world's auto industry.

Japan's number two car maker, Nissan is addressing the problems head-on, with a commitment to rethink vehicle development policy with a clear eye on the environmental dangers ahead.

Mr Mitsutaka Konno, General Manager of the company's Environmental and Safety Engineering Department says something must be done before it gets too late.

On a top priority issue like global warming, Konno says the underlying causes may still

Nissan is committed to rethinking its development policy

be unclear. But, he adds, "if we don't take some action now, in ten to twenty years time, we won't even be able to recover what we have now."

In Japan, Nissan stands as the nation's rejuvenated and now highly profitable number two vehicle manufacturer, its bank balance boosted by a healthy consolidated net income of Y116 bn during fiscal 1989.

Like its rivals, Nissan has both the resources and manpower needed to embark on a development programme towards lighter, cleaner, more environmentally acceptable vehicles for the decade ahead.

Today's development engineers have to juggle with a growing number of conflicting variables: from the need to save energy via smoother aerodynamics and reduced weight, while at the same time seeking increased safety and, of course, reduced exhaust emissions.

Nissan's strategy for environmental protection has two main headings: upgrading fuel economy and preventing air pollution.

In the short term, better fuel consumption can be obtained by refining engine management electronics, introducing low friction engines and drive trains, raised gearing and similar measures. Increased use of aluminium for engine blocks to save weight (and therefore energy) is also expected.

A five-speed automatic gearbox - a 1989 world first for Nissan, on the domestic Cedric saloon - is yet another possibility.

More far reaching is Nissan's plan to reduce weight with generally smaller, lighter bodies, using new materials. The difficulty is the need to retain sufficient rigidity for full crash integrity while keeping costs down

To underline the problems involved, according to Konno, every 1 per cent in vehicle weight reduction achieved brings a corresponding 1 per cent improvement in fuel economy: not much, considering the effort involved.

Nonetheless, of all environmental aspects, Konno foresees some "rapid progress" in overall weight reduction.

Over the coming decade, there will be improvements in the performance of electric vehicles, of conventional three-way catalysts and research into alternative fuels such as methanol to reduce CO emissions.

Although Nissan is working on all these, Konno predicts that the petrol or diesel-powered internal combustion engine will remain the car's main power source – perhaps, eventually, combining with electricity to produce a hybrid vehicle capable of both low emissions and high economy. His idea is to use clean, quiet, non-polluting electric power in towns and the petrol engine for longer journeys.

There are problems, however. Existing batteries are bulky, heavy and have a short range, while the safety aspect – the danger of acid spillage in the event of an accident – has yet to be resolved.

"There's also the question of how to create the electricity. Burning fossil fuel emits CO, whereas nuclear-derived electricity solves the problem totally although (it) is still under discussion as regards safety."

Uncertainties over future regulations, specifically with regards to varying emission standards in different countries worldwide and the USA's controversial proposed CAFE standards for the year 2000 mean that today's development engineer has no clear picture of what lies ahead.

Nonetheless, keeping tabs on the emissions/safety regulations in different world markets and relaying this data to Nissan's design staff is just one of the functions of Konno's environmental department, which was set up last January and employs 80 specialists.

Laudable though it may be Nissan's work into increased environmental protection obviously comes at a price, though Konno is unable to say how much Nissan is spending on its research programme, or how much it has grown in the light of recent environmental concern.

However, within the company's Central Engineering Laboratories, a division whose task is to evaluate aspects of vehicle development 10-15

Clean burning fuels are used at car plants to reduce emissions

years ahead, some 70-80 per cent of the budget is said to be devoted to safety and environmental matters.

In fiscal 1989, Nissan spent Y240bn overall on research and development.

Reducing the use of chlorofluorocarbons (CFCs) which deplete the ozone layer is one concrete environmental protection measure already underway. Equipment is now being installed in service shops to recover and recycle these CFCs that are used as coolants in air conditioning units and cleaning agents for urtheane bumpers and metal parts. By the mid 1990s, Nissan hopes to have developed an effective CFC substitute.

Nissan has also switched to cleaner burning fuels for its manufacturing plants, using kerosene and liquefied natural gas in a bid to reduce sulphur oxide emissions. Another system, to remove sulphur oxide from flue gas, is claimed to be among the most advanced treatment processes in use today.

In the final analysis, Konno sees a need for a balanced, considered approach to environmental research.

"If we aim for one area or project such as global warming, we should take into consideration all other aspects that might have some side effect. That's the point. Otherwise, in 10 years time, we will surely face certain difficulties."

Jack Semple on UK traffic management

Grounds for optimism

BRITISH MOTORISTS must expect more "traffic calming" measures, such as road humps, speed tables, width restrictions and 20mph speed limits.

All are aimed at reducing the environmental impact of vehicles, in terms of safety, vibration and noise in residential areas.

There is general agreement that when these measures are implemented, they act as genuine deterrents to road users and usually succeed in forcing cars and trucks back onto major roads.

However, their implementation has been controversial.

"Traffic calming needs to be part of an overall package to ease urban traffic congestion. There's no use in putting humps in rat runs if there's nowhere else for the traffic to go," says Mr Peter Witt, British Road Federation director.

"Far too many people are putting forward simplistic solutions to a very complex problem."

According to Mr Witt, a clearer distinction needs to be drawn between local roads and through roads.

The Department of Transport's Red Routes scheme for through routes in London will be doomed unless they are well-policed, parking meters are removed from them, and there are lay-bys for vehicles to stop when necessary, he says.

More off-street car parks are needed, and parking meters should be made more expensive than car parks, in an effort to get as many cars off the road as possible when they are not making journeys. "At the moment, nobody is doing anything very much," Mr Witt complains.

Mr Vivian Jones, president of the County Surveyors Society and county engineer and planning officer at Hereford and Worcester County Council, accepts criticism that measures have been introduced piecemeal.

But despite concern over traffic congestion, especially in large urban areas, there are grounds for optimism about Britain's ability to introduce more effective traffic management measures in the future, he says.

Hitherto, there has been a lack of professional expertise on the part of surveyors and a lack of political will, at both local and national level, to introduce planned and integrated traffic management schemes.

Individual local measures have tended to be introduced in isolation.

However, the science of traffic management is advancing in Britain. Surveyors are becoming more professional in their approach, and their expertise will continue to increase over the next few years.

In a new initiative, the Department of Transport has over the past year published a series of pamphlets on traffic calming, and recently produced, in conjunction with other bodies, the Manual of Guidance of Lorries and Traffic Management.

This is targeted at county surveyors and draws together for the first time a detailed code for implementing strategy.

These publications represent a significant advance in the science of traffic management.

"I cannot believe there is any professional who is currently stumped for what to do next because of the lack of a code of practice," says Mr Jones.

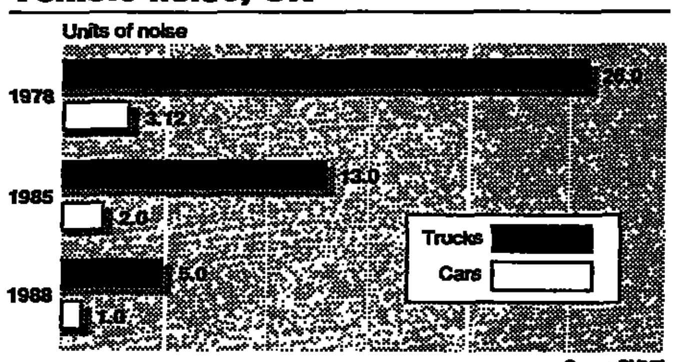
The next task will be to draw together the various publications on traffic calming into a single manual, he adds.

However, local authorities are having great difficulty in retaining staff needed to bring forward traffic schemes and it is likely that they will turn increasingly to consultancies for this work.

There are signs that both local and national government are prepared to spend the money to implement traffic management policies at a local level.

As Mr Jones observes: "It is clear to me and my professional colleagues that the scope for the unbridled use of cars in cities is coming to an end."

Vehicle noise, UK



Source:SMMT

World pressure to intensify research

Continued from page 1:
make the use of such vehicles financially attractive.

Ironically, out of 18 responses, none was received from GM, Ford or Chrysler because at the time they seemed sceptical about a market developing.

The initiative should provide some clearer insights into key areas of doubt about electric vehicles quite apart from how they are able to perform.

It should resolve, for example, some of the arguments about whether there can be any real saving in terms of air purity if the power that allows battery vehicles to operate cleanly has to be provided by more and larger fossil-fuelled power stations pumping their own huge volumes of carbon dioxide and other polluting gases into the atmosphere.

Among the more promising long-term alternative fuels is hydrogen. Like petrol, hydrogen has a high energy content; its supply is essentially inexhaustable, being extracted from water, and, best of all, a vehicle so powered would emit mainly only water – in the form of steam vapour – from its exhaust pipe.

But hydrogen is very difficult to handle – it does not liquefy until very close to absolute zero; and even BMW, which has several prototypes, says it could be 30 years, if indeed at all, before effective solutions are found.

In the shorter term, there are other alternative fuels, such as methanol and natural gas.

These do not lead to smog or acid rain-producing pollutants – but inevitably, they do generate carbon dioxide.

Taken overall, however, Dr Peter Walzer, a senior Volkswagen research executive, suggests that for most of the world at least, petrol-engined cars, albeit progressively more fuel efficient and less-polluting ones, will still be the world's mainstay for the next 20 years, at least.

But what happens when fossil fuels finally start to run out, or if carbon dioxide continues to build up dangerously in the atmosphere ?

Mr Robert Eaton, president of General Motors in Europe, suggests that there might then be no alternative to battery-powered vehicles taking their energy from new generations of *nuclear* power stations if the world wants to retain its mobility.

That, inevitably, would take the environmental debate on cars into entirely new dimensions, particularly post-Chernobyl.

Meanwhile, manufacturers are taking other actions to lessen the car's environmental demands, including vehicle recycling.

Major vehicle companies like Mercedes-Benz and BMW of West Germany say there is no reason why virtually 100 per cent of the materials which make up a car cannot be recycled, making a significant contribution to reducing the demands made on the earth's resources.

One means of doing so takes the form of a pilot recycling plant brought on stream only a few weeks ago at Landshut, north of Munich, by BMW and several partners in the chemicals and materials processing industries.

The facility is being used to disassemble 1,500 cars over the next 12 months and explore how they might best be turned into re-usable materials or energy.

BMW sees the Landshut plant as the precursor to a permanent facility which would be capable of processing 250,000 cars a year, and hopes and believes that the entire motor industry will follow suit – "an overall approach is essential if we are to achieve results," says Mr Peter Holtback, president of the Volvo Car Corporation.

"We have an action plan which covers everything from production methods and materials to the use, service and final disposal of our products," says Mr Holtback.

Volvo , whose marketing approach has been built on safety, says that environmental issues are now receiving the same level of priority as safety.

The company stresses, however, that vehicles are only a part of the problem and that a more co-ordinated approach is needed covering power stations and other problems.

In Sweden, for example, it is calculated that only 10 per cent of acid rain is caused by vehicle emissions. A far bigger contributor is agriculture's use of fertilisers and the nitrogen compounds they leave in the atmosphere.

Even the carbon dioxide emitted from cars is a relatively small proportion of the total.

Volvo claims, for example, that the entire vehicular traffic of the US accounts for about 3 per cent of the earth's total carbon dioxide emissions.

The company also says that in Brazil, the results of rain forest clearance and the lost ability to convert carbon dioxide back into oxygen, are responsible for six times the amount of carbon dioxide emissions into the atmosphere caused by the South American country's burning of fossil fuels.